

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA	:	CRIMINAL NO. 07-730
v.	:	DATE FILED: June 17, 2008
BERNARD J. BAGDIS	:	VIOLATIONS:
a/k/a "Jay"		26 U.S.C. § 7212(a) (attempt to obstruct
a/k/a "Frank Benjamin"	:	administration of Internal Revenue Code
a/k/a "Adam Samuels"		- 1 count)
a/k/a "Pat Davis"	:	18 U.S.C. § 371 (conspiracy to
a/k/a "Chris White"		defraud the United States - 8 counts)
BERTRAM R. RUSSELL	:	26 U.S.C. § 7201 (income tax evasion -
a/k/a "Skip"		30 counts)
JOHN P. LEICHTNER	:	26 U.S.C. § 7206(2) (aiding and assisting
RICHARD J. FRASE		the preparation of false tax returns - 21
a/k/a "Richard Brandon"	:	counts)
KENNETH W. KLINGER		26 U.S.C. § 7206(1) (subscribing false tax
STEPHEN SCHULZ	:	returns - 12 counts)
MICHAEL S. KLEIN		26 U.S.C. § 7203 (failure to file tax
KATHLEEN WILLIAMS	:	returns or supply information - 19 counts)
STEVEN HEDRICK		31 U.S.C. § 5322 (failure to file currency
WILLIAM K. ACOSTA	:	transaction report by business- 5 counts)
HELEN M. GRAMASKI		18 U.S.C. § 2 (aiding and abetting)
WAYNE D. BOZEMAN	:	

SUPERSEDING INDICTMENT

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COUNT ONE

THE GRAND JURY CHARGES THAT:

At all times relevant to this Superseding Indictment:

DEFENDANT BERNARD JAY BAGDIS

1. Defendant BERNARD J. BAGDIS, a/k/a “Jay,” “Frank Benjamin,” “Adam Samuels,” “Pat Davis,” and “Chris White,” a resident of Norristown, Pennsylvania, was a licensed attorney with an office in Blue Bell, Pennsylvania. BAGDIS also owned and controlled various entities that he utilized in order to facilitate his extensive and longstanding efforts to obstruct and impede the administration of the internal revenue laws of the United States, including, among others, The Personnel Department, Inc., Merchants and Manufacturers Trust, Ltd., Administar Corp., Chronos, Inc., Basement Doctor Waterproofing Company, and Phoenix Reorganization Services, Inc.

2. Defendant BERNARD J. BAGDIS employed an associate attorney, a paralegal, and an administrative assistant to assist him in his effort to obstruct and impede the administration of the internal revenue laws of the United States. At times relevant to this Superseding Indictment, the law and business offices of BAGDIS were located at 1536 DeKalb Pike and at 1200-02 DeKalb Pike, Blue Bell, Pennsylvania.

3. As described more fully below, defendant BERNARD J. BAGDIS, through his obstructive efforts, and the actions that he directed, caused individuals and entities to under-report to the IRS an approximate total of \$24 million in income, resulting in a total approximate loss of tax revenue of \$4.9 million.

ENTITIES

4. Merchants & Manufacturers Trust, Ltd. (“MMT”) was a shell corporation with no business operations that was incorporated in Ireland on or about August 9, 1994, and was dissolved on or about February 25, 2000. Defendant BERNARD J. BAGDIS used this dormant foreign shell corporation as an integral part of his efforts to obstruct and impede the IRS by opening bank accounts in the name of the corporation, with sub-accounts assigned to clients of BAGDIS, and by creating sham loans purportedly made by the corporation and mortgages purportedly owned by the corporation.

5. The Administar Corporation was incorporated in Delaware on or about June 26, 1996, and its mailing address was 1536 DeKalb Pike, Blue Bell, Pennsylvania, a property owned by defendant BERNARD J. BAGDIS. BAGDIS used the Administar Corporation to register Delaware corporations owned by BAGDIS and his clients. Although BAGDIS controlled the Administar Corporation, its nominal president was Kathleen Williams, charged elsewhere in this Superseding Indictment.

6. Basement Doctor Waterproofing Company (“BDWC”), incorporated in Pennsylvania on or about June 28, 1999 and in Delaware on or about September 22, 2000, was a successful business based in Pennsylvania that provided waterproofing and home remodeling services to customers in Pennsylvania, New Jersey, New York, Maryland and Delaware. BDWC maintained its headquarters and main business offices in Feasterville, Pennsylvania and then Horsham, Pennsylvania until approximately September 2001, when it relocated to 3133 Lincoln Highway, Bensalem, Pennsylvania.

7. The Personnel Department, Inc. was incorporated in Delaware on or about March 14, 1991 and in Pennsylvania on or about April 17, 1991, and its mailing address was 1536 DeKalb Pike, Blue Bell, Pennsylvania. Defendant BERNARD J. BAGDIS used the Personnel Department, Inc. as an employee leasing company, to administer the payroll for Basement Doctor, Inc., the predecessor to BDWC, to pay bills for personal expenses of client Bertram R. Russell, charged elsewhere in this Superseding Indictment, and to receive the income of client Richard J. Frase, charged elsewhere in this Superseding Indictment.

8. Phoenix Reorganization Services, Inc. was incorporated in Delaware on or about July 8, 1999, and its mailing address was the office of defendant BERNARD J. BAGDIS in Blue Bell, Pennsylvania. BAGDIS owned and controlled Phoenix Reorganization Services, Inc., and, at times relevant to this Superseding Indictment, this corporation owned approximately 7% of BDWC.

9. Chronos, Inc. was incorporated in Delaware on or about July 7, 1976, and its mailing address was the office of defendant BERNARD J. BAGDIS in Blue Bell, Pennsylvania. It processed the credit card payments made by BDWC customers for waterproofing and home remodeling services, and had a bank account that received deposits arising from these transactions. BAGDIS also used a bank account held in the name of Chronos, Inc. to receive the income of clients and make expenditures on their behalf.

10. From in or about 1996 or earlier until and through the date of this Superseding Indictment, in the Eastern District of Pennsylvania and elsewhere, defendant

BERNARD J. BAGDIS

corruptly endeavored to obstruct and impede the due administration of the internal revenue laws of the United States by (1) aiding and assisting taxpayers in circumventing the filing of accurate federal income tax returns and the payment of federal income taxes; (2) aiding and assisting taxpayers in impeding the compliance and collection efforts of the Internal Revenue Service; and (3) aiding and assisting taxpayers in evading the assessment and payment of income taxes owed to the Internal Revenue Service.

THE DEFENDANT'S OBSTRUCTIVE PRACTICES

In furtherance of the corrupt endeavor by defendant BERNARD J. BAGDIS to obstruct or impede the due administration of the internal revenue laws of the United States, BAGDIS engaged in the following actions:

11. Defendant BERNARD J. BAGDIS recruited as clients and employees various individuals, including physicians, lawyers and self-employed small business owners, to join his tax obstruction and tax evasion schemes. The goal of these tax obstruction and tax evasion schemes was to conceal from the IRS personal and corporate income for the purpose of evading both the assessment and the payment of income taxes through the filing of false tax returns and by failing to file tax returns, particularly in situations in which BAGDIS and his clients believed that no third parties had reported to the IRS that income had been paid to them through, for example, the filing of IRS Forms 1099 and W-2 under their names or social security numbers.

12. Defendant BERNARD J. BAGDIS assisted clients and employees in creating nominee entities for the purpose of concealing from the IRS their income, and the source of that income, by funneling money through bank accounts of those nominee entities, and by

paying bills out of the nominee entities' bank accounts and the bank accounts of other corporations he controlled. BAGDIS engaged in these transactions so that the sources and uses of funds were not directly traceable back to the individual clients or their social security numbers.

Specifically, BAGDIS:

- a. Advised and assisted individuals to form a corporation for a fee paid to BAGDIS;
- b. obtained employer identification numbers (EINs)¹ for these corporations and registered these corporations in Delaware or Pennsylvania. On many occasions, BAGDIS obtained EINs by submitting forms to the IRS which falsely stated that the applicant was Helen Gramaski, charged elsewhere in this Superseding Indictment, who, as BAGDIS well knew, was not associated with the corporations and instead had agreed to allow BAGDIS to use her name for the purpose of disguising the true identities of the clients on whose behalf the EIN was actually issued;
- c. assisted clients and employees in opening bank accounts for their corporations for the purpose of depositing their payroll checks or other forms of income and compensation into the corporate bank accounts, and then paying for personal expenses through the corporate bank accounts;
- d. used and encouraged the use by clients of fictitious identities that he created in order to conceal assets and income from IRS, including, among

¹ The EIN is a unique nine digit number assigned by the IRS that the IRS uses to identify corporations and other business entities that are required to file tax returns.

others, “Frank Benjamin,” “Adam Samuels,” “Chris White,” and “Pat Davis;”

- e. prepared, and instructed his employees to prepare, false tax returns for clients that failed to report substantial amounts of wages and other income, and which falsely understated the amount of taxes due and owing to the Internal Revenue Service;
- f. advised and encouraged clients whom he knew had received substantial amounts of taxable income to not file yearly income tax returns with the IRS; and
- g. caused BDWC to file false forms with the IRS which under-reported the number of employees of BDWC and the compensation paid to employees of BDWC.

13. Defendant BERNARD J. BAGDIS represented himself to be the agent and U.S. representative of MMT, a foreign financial institution , which, in truth, was a dormant shell corporation that had been dissolved in Ireland on or about February 25, 2000, which had no U.S. business operations, branches, or employees, and which was not an authorized U.S. bank or financial institution. Despite the fact that this corporation had been dissolved in Ireland, BAGDIS repeatedly – yet falsely – told clients that MMT was an existing Irish bank, and that he was in charge of the bank’s U.S. operations. BAGDIS used MMT for the following purposes:

- a. Assisting clients in concealing their income and disguising their expenses by holding, commingling and moving client funds into and through bank accounts and sub accounts created under the MMT name;

- b. assisting clients in circumventing federal laws requiring the payment of taxes and early withdrawal penalties on the premature distribution of funds from Individual Retirement Accounts (“IRAs”);
- c. assisting clients in concealing profits made from investments; and
- d. assisting clients in creating phony encumbrances on their properties and fictional mortgage interest expense deductions through the establishment of sham promissory notes and mortgages.

14. Defendant BERNARD J. BAGDIS directed clients to send notices from the IRS to him. BAGDIS then requested information from the IRS to determine the amounts of third party payments that had been reported to the IRS on behalf of clients. BAGDIS delayed responding to IRS inquiries and prepared and filed false documents with the IRS to hide the client’s actual income. BAGDIS then directed the preparation of false federal income tax returns for clients, which reported only the income reported by the third parties to the IRS and which claimed false deductions to offset that income.

15. Defendant BERNARD J. BAGDIS received substantial amounts of income from his law practice, from fees charged to clients for financial transactions, and from his ownership in various businesses. BAGDIS concealed the amount of income he personally received by transferring money between numerous bank accounts and different entities that he controlled, and by maintaining assets in the names of entities that he controlled.

CLIENTS AND EMPLOYEES OF BERNARD JAY BAGDIS

BERTRAM R. RUSSELL

16. Bertram R. Russell, a/k/a “Skip,” charged elsewhere in this Superseding Indictment, a resident of Gladwyne, Pennsylvania and a client of defendant BERNARD J. BAGDIS since the 1980s, was a licensed physician who actively practiced medicine as a radiologist and who received substantial compensation for this work each year through a complex arrangement created by BAGDIS for the purpose of concealing this income from the IRS. At certain times relevant to this Superseding Indictment, Russell also was a part owner of Basement Doctor, Inc., and Basement Doctor Waterproofing Company.

17. Defendant BERNARD J. BAGDIS advised and assisted Bertram R. Russell in setting up an arrangement with a local health care provider of radiology services whereby Russell’s corporation, Pennsylvania Physicians, would be paid for his professional services.

18. Defendant BERNARD J. BAGDIS advised and assisted Bertram R. Russell in the formation of a number of corporations that were used to conceal income from the IRS, including the following: Pennsylvania Physicians, P.C., High Pines, Ltd., Bertram R. Russell, M.D., P.C., and Russell Medical Associates. From 1998 through 2006, Russell received nearly \$3 million in compensation for his services as a radiologist, yet failed to report any of this income on his tax returns for 1998, 1999 and 2000, and paid no federal income tax for those years. In addition, Russell did not file any federal income tax returns for the years 2001 through 2006, and paid no income tax for any of those years, either. None of the corporations that Russell owned filed any corporate tax returns for tax years 1998 through 2006. None of those

corporations paid any federal income taxes for tax years 1998 through 2006. Russell's earnings for the years 1999 through 2006 resulted in an approximate federal income tax due and owing of approximately \$1,021,077.

19. Defendant BERNARD J. BAGDIS advised and assisted Bertram R. Russell in opening bank accounts for Pennsylvania Physicians, P.C., at First Union National Bank, for High Pines, Ltd., at First Union National Bank and Sovereign Bank, and for Bertram Russell, M.D., P.C., at First Union National Bank, which Russell then used to receive income from his medical practice and to pay personal expenses, including, among many others, school tuition for his children, country club membership dues, household remodeling projects, and credit card charges for vacations and purchases of personal merchandise.

20. In an effort to disguise and conceal Bertram R. Russell's sources and uses of income, defendant BERNARD J. BAGDIS used bank accounts he controlled, including those of the Personnel Department, Inc., and MMT, to receive funds from Russell and to pay personal expenses of Russell.

21. After IRS initiated audit and collection activities with respect to the taxes due and owing from Bertram R. Russell for tax years 1998, 1999, and 2000, defendant BERNARD J. BAGDIS aided and assisted Russell in signing and filing false Form 1040 individual income tax returns for each of those years that did not include any of Russell's income, but only the income of his wife, which BAGDIS knew already had been reported to the IRS by the wife's employer.

JOHN P. LEICHNER

22. John P. Leichner, charged elsewhere in this Superseding Indictment, a resident of Rydal, Pennsylvania and Newtown, Pennsylvania, was a licensed physician who actively practiced medicine as a vascular and general surgeon, and who received substantial compensation for this work each year. Beginning in or about the late 1980's, Leichner became a client of defendant BERNARD J. BAGDIS.

23. During the years 1999 through 2005, John P. Leichner received an approximate total of \$1,270,000 in gross income from his medical practice as a general and vascular surgeon, and from a withdrawal from an Individual Retirement Account ("IRA"). These earnings resulted in an approximate total tax due and owing of \$251,000.

24. From on or about April 15, 1991 through on or about April 15, 2006, John P. Leichner did not file any federal individual income tax returns for the tax years 1990 through 2005, and failed to pay any federal income taxes during those years.

25. Defendant BERNARD J. BAGDIS assisted John P. Leichner in establishing and maintaining corporations, including Surging Skyward, Inc., John P. Leichner M.D. P.C., Pennsylvania Physicians P.C., and Dr. John P. Leichner P.C., which BAGDIS and Leichner utilized to conceal the individual income and assets of Leichner, and for which Leichner did not file any federal tax returns.

26. With assistance from defendant BERNARD J. BAGDIS, Leichner caused third-parties to report any compensation paid in connection with medical services performed by Leichner to the IRS under an EIN of one of the corporations utilized by Leichner, and not under

the social security number of Leichner, so that the income would be more difficult to trace to Leichner, because neither Leichner nor any of his corporations were filing any federal tax returns.

27. In or about March 1999, defendant BERNARD J. BAGDIS assisted John P. Leichner in withdrawing approximately \$100,000 in untaxed funds from an IRA, depositing the funds to a bank account controlled by BAGDIS and held in the name of Chronos, Inc., a company controlled by BAGDIS, thereby preventing any withholding of taxes from the funds. The funds were used to pay for the acquisition by Leichner of a vacation property in Currituck County, North Carolina.

28. From in or about 2001 through in or about 2005, defendant BERNARD J. BAGDIS attempted to obstruct and defeat an assessment and levy action by the IRS pertaining to the 1999 individual income tax year of John P. Leichner, including by:

- a. Attempting to stall the IRS action, discovering from the IRS its knowledge of Leichner's income for the 1999 year, and then causing a false 1999 individual income tax return, which did not report any of the medical income received by Leichner during 1999, to be prepared but not filed on behalf of Leichner; and
- b. creating in or about May 2004 two sub accounts at Madison Bank, held by the Administar Corporation, a company controlled by BAGDIS, the purpose of which was to create bank accounts which would be difficult for the IRS to trace to Leichner, and which could protect the income and assets of Leichner from being levied by the IRS.

29. Defendant BERNARD J. BAGDIS assisted John P. Leichner in creating and maintaining The Leichner Family Trust and The Currituck Trust, the purpose of which in part was to serve as entities which would not file tax returns, and which could hold assets without those assets being associated with the social security number of Leichner.

RICHARD J. FRASE

30. Richard J. Frase, a/k/a “Richard K. Brandon,” charged elsewhere in this Superseding Indictment, was a resident of Auburn Hills, Michigan and Schoharie, New York. Beginning no later than 1995, Frase worked as a contractor for the Chrysler Corporation. Beginning in or about 1997, Frase worked as a contractor for the Chrysler Corporation through TAC Automotive, a contractor who supplied professional staff to Chrysler. Also beginning in or about late 1997, Frase became a client of defendant BERNARD J. BAGDIS. Prior to becoming a client of BAGDIS, Frase had not filed a personal income tax return for the 1995 or 1996 tax years.

31. Defendant BERNARD J. BAGDIS advised and assisted Richard J. Frase in setting up a company, GT Technical Services, Inc. (“GTTS”), to receive Frase’s salary from TAC Automotive. Frase had his salary paid to him through the Personnel Department, Inc., a company controlled by BAGDIS. The Personnel Department, Inc. paid Frase a nominal amount of income each year that was below the minimum amount that would require single filers under the age of 65 to file a personal income tax return. The remainder of Frase’s income went into bank accounts controlled by BAGDIS in the name of Administar at Commerce Bank and Madison Bank, and ultimately to a GTTS bank account at Wachovia Bank.

32. During the years 1998 through 2006, Richard J. Frase received a total of approximately \$1,388,314 in income that he never reported to the IRS, resulting in a total tax due and owing of approximately \$426,000.

33. On or about February 12, 2002, Michael S. Klein, charged elsewhere in this Superseding Indictment, working on behalf of defendant BERNARD J. BAGDIS, wrote a letter to the IRS, copying Richard J. Frase, to request a transcript from the IRS reflecting the amounts that third parties had reported to the IRS that they had paid to Frase for the years 1995 through 1999.

34. On or about February 19, 2003, after Richard J. Frase received a notice of deficiency from the IRS for tax years 1998 and 1999, defendant BERNARD J. BAGDIS caused Frase to file false federal income tax returns for the years 1998, 1999, and 2000 in which Frase willfully failed to report his income from TAC Automotive.

KENNETH W. KLINGER

35. Kenneth W. Klinger, charged elsewhere in this Superseding Indictment, a resident of Perkiomenville, Pennsylvania, was a part-owner and a manager of Basement Doctor Waterproofing Company, a successful waterproofing and home remodeling company. Beginning no later than in or about October 1999, Klinger became a client of defendant BERNARD J. BAGDIS.

36. Defendant BERNARD J. BAGDIS advised and assisted Kenneth W. Klinger in creating and incorporating K&D Industries, Inc. ("K&D"), which had no business operations, function, or purpose other than as a vehicle through which Klinger's personal income and expenses would flow.

37. Defendant BERNARD J. BAGDIS owned and controlled Administar Corporation, which served as the registered agent for K&D.

38. Defendant BERNARD J. BAGDIS instructed Kenneth W. Klinger to use a fictitious name, "Chris White," in K&D's correspondence with the IRS, identifying "Chris White" as either the president or treasurer of K&D.

39. During the years 1999 through 2003, Kenneth W. Klinger and his spouse received approximately \$1,385,542 in income from Basement Doctor Waterproofing Company ("BDWC"), and from other sources. These earnings resulted in an approximate total tax due and owing of \$393,067. In order to conceal from the IRS the income of Klinger and its source, defendant BERNARD J. BAGDIS, who exercised control over the finances and bank accounts of BDWC, directed Klinger to funnel his salary and related income from BDWC into the bank accounts held in the name of K&D at Commerce Bank. Klinger received his salary and related income from BDWC through checks made payable to K&D and written from bank accounts which BAGDIS controlled, and which were held in the names of Administar Corp. and The Accounting Department/BD.

40. From approximately 1999 through approximately February 2004, defendant BERNARD J. BAGDIS, as the person who controlled the finances and federal tax filings of BDWC, and as a part-owner of BDWC, failed to issue a Form W-2 to Kenneth W. Klinger reporting his compensation from BDWC, failed to file a Form W-2 or a Form W-3 with the IRS regarding such compensation, and caused the quarterly and annual payroll tax returns of BDWC to exclude the amount of compensation paid to Klinger by BDWC.

STEPHEN SCHULZ

41. Stephen Schulz, charged elsewhere in this Superseding Indictment, a resident of Langhorne, Pennsylvania, was a part-owner and a manager of Basement Doctor Waterproofing Company. Beginning no later than in or about December 1999, Schulz became a client of defendant BERNARD J. BAGDIS.

42. Defendant BERNARD J. BAGDIS advised and assisted Stephen Schulz in forming a shell corporation incorporated in Delaware, M&R Concepts, Ltd. ("M&R"), in order to serve as a vehicle through which the personal income and expenses of Schulz would flow.

43. Defendant BERNARD J. BAGDIS directed Stephen Schulz to use the fictitious identity of "Chris White" as an officer of M&R on documents presented to the IRS and to Commerce Bank, where M&R held its bank accounts.

44. During the years 1999 through 2003, Stephen Schulz and his wife received approximately \$927,081 in salary and compensation, the vast majority of which consisted of salary and compensation from BDWC. These earnings resulted in an approximate total tax due and owing of \$253,590. In order to conceal from the IRS the income of Schulz and its source, defendant BERNARD J. BAGDIS, who controlled the finances and bank accounts of BDWC, directed Schulz to funnel his salary and related income from BDWC into the bank accounts held in the name of M&R at Commerce Bank. Schulz received his salary and related income from BDWC through checks made payable to M&R and written from bank accounts which BAGDIS controlled, and which were held in the names of Administar Corp. and The Accounting Department/BD.

45. From approximately 1999 through approximately February 2004, defendant BERNARD J. BAGDIS, as the person who controlled the finances and federal tax filings of BDWC, and as a part-owner of BDWC, failed to issue a Form W-2 to Stephen Schulz regarding his compensation from BDWC, failed to file a Form W-2 or a Form W-3 with the IRS reporting such compensation, and caused the quarterly and annual payroll tax returns of BDWC to exclude the compensation paid to Schulz.

MICHAEL S. KLEIN

46. Michael S. Klein, charged elsewhere in this Superseding Indictment, a resident of Warrington, Pennsylvania, was a licensed attorney and an employee of the law office of Bernard J. Bagdis, P.C. from approximately 1995 through approximately October 2004, during which time he received regular salary checks and a year-end bonus. From approximately 1995 through in or about October 2004, Klein also operated a small, separate legal practice while employed by defendant BERNARD J. BAGDIS, and paid BAGDIS 40 to 60 percent of the legal fees received from this separate practice.

47. Defendant BERNARD J. BAGDIS and Michael S. Klein created a shell corporation in Delaware, Renscot, Ltd., to receive Klein's income from BAGDIS. Renscot, Ltd., had no business purpose or operations other than to receive Klein's salary and to pay his personal expenses.

48. Defendant BERNARD J. BAGDIS issued regular salary checks to Michael S. Klein that were drawn on a variety of unrelated business accounts controlled by BAGDIS, including, among others, The Personnel Department, Inc., Administar Corp., Phoenix Reorganization Services, Chronos, Inc., and MMT, all for the purpose of attempting to conceal

Klein's sources of income. During the years 1995 through and including 2003, BAGDIS paid Klein a total of approximately \$363,925. Klein received additional income from his individual legal practice of approximately \$31,682 during those years. However, Klein did not file any federal income tax returns during those years and paid no federal income taxes. None of the corporations that Klein owned filed any corporate tax returns or paid corporate income taxes. Klein's unreported earnings for the years 1995 through 2003 resulted in an approximate federal income tax due and owing of \$74,446.

49. At the direction of defendant BERNARD JAY BAGDIS, and for the purpose of obstructing and impeding the due administration of the internal revenue laws of the United States, Michael Klein:

- a. Corresponded with the IRS on behalf of BAGDIS's clients;
- b. responded to IRS notices provided to BAGDIS by BAGDIS's clients;
- c. assisted in the establishment and incorporation of nominee entities to conceal the income and assets of BAGDIS's clients;
- d. obtained transcripts from the IRS to determine the amounts reported to the IRS by third parties who made payments to BAGDIS' clients; and
- e. prepared false federal income tax returns for BAGDIS's clients that failed to report any income beyond that reported to the IRS by third parties and which, in some cases, overstated that amount of deductions for the purpose of reducing the clients' tax liabilities or increasing the amount of their refunds.

KATHLEEN WILLIAMS

50. Kathleen Williams, charged elsewhere in this Superseding Indictment, a resident of Pottstown, Pennsylvania, worked as an administrative assistant to defendant BERNARD J. BAGDIS from approximately 1987 until approximately October 2004. During the years 1997 through 2003, she received approximately \$293,756 in salary from BAGDIS, and her spouse received approximately \$21,800 in additional income during those years from BDWC.

51. Defendant BERNARD J. BAGDIS, as the employer of Kathleen Williams, paid her compensation primarily through checks made payable to Administar Corporation, a Delaware corporation, owned and controlled by BAGDIS, in order to conceal her income from the IRS.

52. From in or about December 1999 through in or about February 2004, defendant BERNARD J. BAGDIS, as the employer of Kathleen Williams, failed to issue a Form W-2 to Kathleen Williams reflecting her compensation and failed to file a Form W-2 or a Form W-3 with the IRS reporting her compensation.

53. Defendant BERNARD J. BAGDIS aided and assisted in the preparation of an individual 1998 income tax return for Kathleen Williams and joint individual income tax returns of Williams and her husband for the tax years 2000 through 2003. These returns falsely failed to report the compensation paid by BAGDIS to Williams, or the compensation paid to her spouse by BDWC, a company which BAGDIS owned and controlled in part. This unreported compensation, coupled with the unreported compensation received by Williams from BAGDIS during the years 1997 and 1999, for which no individual income tax returns were filed, resulted in an approximate total tax due and owing of \$61,158.

54. At the direction of defendant BERNARD J. BAGDIS, and for the purpose of obstructing and impeding the due administration of the internal revenue laws of the United States, Kathleen Williams disguised and concealed the income and assets of BAGDIS's clients by moving funds from one account to another in the names of entities created or controlled by BAGDIS.

STEVEN HEDRICK

55. Steven Hedrick, charged elsewhere in this Superseding Indictment, a resident of Dover, Delaware, owned and operated James, Stevens & Daniels ("JSD"), which was in the business of debt collection. JSD was located at 1283 College Park Drive, Dover, Delaware, and was incorporated in Delaware on or about January 7, 1998. Hedrick became a client of defendant BERNARD J. BAGDIS in approximately 1996.

56. In or about October 1998, defendant BERNARD J. BAGDIS assisted Steven Hedrick in incorporating in Delaware a corporation called Blesco, Inc. ("Blesco"), the purpose of which was to serve as a nominee entity to receive the personal compensation of Hedrick, acting as the President of JSD, and to disguise that personal compensation as the corporate assets of Blesco.

57. On or about October 8, 1998, defendant BERNARD J. BAGDIS assisted Steven Hedrick in creating a corporate bank account held in the name of Blesco at Wilmington Trust.

58. On or about May 21, 1999, defendant BERNARD J. BAGDIS assisted Steven Hedrick in creating a corporate bank account held in the name of Blesco, Inc. at PNC Bank.

59. From in or about 1998 through in or about 2003, Steven Hedrick and his spouse received over approximately \$1.3 million in taxable income, resulting in an approximate tax due and owing of over \$500,000 for those tax years.

60. From in or about October 1998 through in or about December 2003, the bank accounts held in the name of Blesco received an approximate total of \$804,807 in deposits from JSD, representing the personal compensation of Steven Hedrick and his wife.

61. From in or about December 2000 through in or about November 2002, and at the instruction of defendant BERNARD J. BAGDIS, Steven Hedrick caused JSD to pay approximately \$537,025 to MMT, the entity controlled by BAGDIS, and caused Blesco to pay approximately \$50,000 to MMT, so that MMT could use the money provided by JSD and Blesco to pay for personal expenditures by Hedrick.

62. On or about the following dates, and as a result of the approximate total of \$587,025 paid by JSD and Blesco to MMT, defendant BERNARD J. BAGDIS caused MMT to pay for the following personal expenditures made by Steven Hedrick:

- a. On or about April 11, 2001, MMT paid approximately \$45,000 for a Toyota Sequoia LTD.
- b. On or about April 29, 2002, MMT paid approximately \$170,116 to satisfy the remaining mortgage balance for the residence of Hedrick; thereafter, BAGDIS caused the creation of a sham \$250,000 mortgage for the residence, which purported to be held by MMT, but for which no payments were either due or made;

c. On or about July 2, 2002, MMT paid approximately \$20,726 for improvements to be made at the residence of Hedrick.

d. On or about December 9, 2002, MMT paid approximately \$64,817 for the purchase of a 2003 Lexus LS430.

63. In or about August 2002, JSD paid approximately \$341,000 for the purchase of the property located at 1283 College Park Drive, Dover, Delaware. This property was titled in the name of College Park Management, L.L.C. ("College Park"), a company controlled by Steven Hedrick. At the direction of defendant BERNARD J. BAGDIS, no tax returns were filed in the name of College Park, even though, as BAGDIS well knew, Hedrick thereafter received rental income from tenants using that property.

64. In or about January 2004, defendant BERNARD J. BAGDIS created a corporation named J&T Management, a nominee entity created in order to acquire and own a Harley-Davidson motorcycle purchased by Steven Hedrick on or about March 4, 2004 for approximately \$20,233, through funds provided by MMT, and which MMT previously had received from JSD.

65. From in or about April 1999 through in or about April 2004, and according to the directions provided by defendant BERNARD J. BAGDIS, Steven Hedrick stopped filing individual income tax returns. As a consequence of failing to file federal income tax returns for tax years 1998 through 2003, Hedrick failed to disclose the personal compensation he received that had been funneled from JSD to Hedrick through Blesco, MMT, and College Park.

66. Defendant BERNARD J. BAGDIS caused the preparation and filing of false corporate income tax returns for JSD, which were filed in or about October 2001 for the tax

years 1998 through 2000; filed in or about January 2004 for the tax years 2001 and 2002; and filed in or about March 2004 for the tax year 2003. These corporate income tax returns were false because, as BAGDIS well knew, they failed to report on line 12 of the returns, regarding the amount of compensation paid to officers, the funds paid each year by JSD to Hedrick through Blesco, MMT, and College Park. Instead of reporting this compensation on the corporate tax returns, BAGDIS disguised this officer compensation by burying it within the expenses deducted elsewhere on the returns as payments made for third party consulting services or commissions.

67. From in or about April 2003 through May 2003, defendant BERNARD J. BAGDIS made and caused to be made false and fraudulent statements to an investigator for the State of Delaware conducting a criminal investigation into whether Steven Hedrick had violated the tax code of Delaware with respect to his individual taxes, by stating that the significant funds transferred in 1998 through 2001 by JSD through Blesco to Hedrick represented only loans and the return of capital, and by stating that Hedrick had no taxable income for the years 1998 through 2001.

WILLIAM K. ACOSTA

68. William K. Acosta, charged elsewhere in this Superseding Indictment, a resident of Gilbertsville, Pennsylvania, held ownership interests in several businesses and partnerships during all or parts of the years 1998 to 2003, during which time he received approximately \$684,534 in salary and other income. These earnings resulted in an approximate total tax due and owing of \$167,680. Beginning in or about late 1999 or early 2000, he became a client of defendant BERNARD J. BAGDIS.

69. Defendant BERNARD J. BAGDIS assisted William K. Acosta in concealing his income from the IRS by directing him to open bank accounts at Madison Bank in the name of dormant corporation, Fiscal Fitness, Inc., owned by Acosta, through which BAGDIS received Acosta's income and paid Acosta's personal expenses for a fee of 1% on all incoming and outgoing transfers. At BAGDIS' direction, on account opening records, BAGDIS's law office was identified as the address for the business and "Pat Davis," a fictitious individual, was identified as a signer on the account.

70. During the year 1998, William K. Acosta received a total of \$77,390 in premature and taxable distributions from IRA accounts that he held at Vanguard and the Calvert Group. The funds were deposited directly into Acosta's bank account and spent by Acosta, and no taxes or withdrawal penalties were paid to the IRS. Acosta failed to file a tax return for that year.

71. In 2001 and 2002, after the IRS had sent notices to William K. Acosta regarding his failure to file a 1998 tax return and his failure to report as income the premature IRS distributions he had received, defendant BERNARD J. BAGDIS created phony documents that purported to reflect that the \$77,390 in funds had been rolled over into a qualified IRA account at MMT, a dormant shell company controlled by BAGDIS that BAGDIS falsely claimed was an Irish bank authorized to receive tax exempt IRA rollovers.

72. On or about August 13, 2001, William K. Acosta signed and filed with the IRS a Form 1040 federal tax return for 1998 that had been prepared by defendant BERNARD J. BAGDIS and which falsely stated that no federal taxes were owed and that the \$77,390 in funds had been rolled over into a qualified IRA account.

73. On or about February 19, 2002, defendant BERNARD J. BAGDIS wrote a letter to the IRS on behalf of William K. Acosta in which he falsely stated that the premature IRA distributions Acosta received in 1998 were rolled over to a qualified IRA and were therefore not subject to federal tax.

74. On or about February 21, 2002, William K. Acosta again signed and sent to the IRS a Form 1040 federal tax return for 1998 that had been prepared by defendant BERNARD J. BAGDIS and which falsely stated that no federal taxes were owed and that the \$77,390 in funds had been rolled over into a qualified IRA account.

75. On or about June 18, 2002, defendant BERNARD J. BAGDIS wrote a letter to the IRS on behalf of William K. Acosta which contained copies of the phony, backdated documents that BAGDIS had created which purported to reflect that the \$77,390 in premature IRA distributions made to Acosta in 1998 were not subject to tax because they had been rolled over into a qualified IRA account with MMT.

76. During the year 1999, William K. Acosta received a total of \$144,366 in premature and taxable distributions from an IRA account that he held at Calvert. The funds were deposited directly in Acosta's bank account and spent by Acosta, and no taxes or withdrawal penalties were paid to the IRS. Acosta failed to file a tax return for that year.

77. In 2002 and 2003, after the IRS had sent notices to William K. Acosta regarding his failure to file a 1999 tax return and his failure to report as income the premature IRA distributions he had received, defendant BERNARD J. BAGDIS prepared a Form 1040 federal tax return for Acosta that falsely stated that the \$144,366 in funds had been rolled over into a qualified IRA account when, in fact, as both BAGDIS and Acosta well knew, no such

rollover had occurred. On or about July 10, 2003, William K. Acosta signed and filed the false 1999 federal tax return that had been prepared by BAGDIS.

78. At the direction of defendant BERNARD J. BAGDIS, William K. Acosta did not file any federal income tax returns for years 2000 through 2003 and did not pay any federal income taxes during those years.

HELEN GRAMASKI

79. Helen M. Gramaski, charged elsewhere in this Superseding Indictment, a resident of Ardmore, Pennsylvania, owned a commercial cleaning business. Between 1997 and 2003, Gramaski received personal income from her business of more than \$150,000, yet filed no federal income tax returns and paid none of the approximately \$61,604 in federal taxes due and owing for those years. Defendant BERNARD J. BAGDIS encouraged Gramaski to not file federal income tax returns and assisted Gramaski in concealing her income and assets from the IRS by establishing and incorporating Maid Aid, Inc. and the Gramaski Trust, which opened bank accounts that were used by Gramaski to receive her personal income and to pay her personal expenses.

80. From in or about November 2000 until in or about March 2003, in order to attempt to shield or disguise the true identities of clients on whose behalf he had established corporate entities, defendant BERNARD J. BAGDIS used the identity of Helen M. Gramaski in order to file Forms SS-4 with the IRS to obtain Employer Identification Numbers for the following entities: Basement Doctor of Greater New York, American Association of Waterproofing & Structural Repair Specialists, Blue Bell Training Institute, Symba Corporation, Just Call Jeff, Inc., Counseling Care, Inc., Charles Bernard, Ltd., PC Medic, Inc., Basement

Doctor Remodelers, Inc., 3133 Lincoln Highway, LP, 4911 Street Road LP, KSJ Management Corporation, 741 Route 18, LP, William A. Acosta Foundation, and WJA, Inc. In exchange for allowing BAGDIS to use her identity for this purpose, BAGDIS paid Gramaski a total cash payment of \$1,000.

WAYNE D. BOZEMAN

81. Wayne D. Bozeman, charged elsewhere in this Superseding Indictment, a resident of West Chester, Pennsylvania, owned and operated Keystone Game Supply, Inc. (“Keystone Game Supply”), which was in the business of purchasing, repairing, and reselling components for amusement and gaming machines. Bozeman served as the President and Director of Keystone Game Supply, which had its principal place of business at 340 Constance Drive, Warminster, Pennsylvania. Bozeman met defendant BERNARD J. BAGDIS in or about 1989, and thereafter became a client of BAGDIS. Bozeman obtained a law degree in May 2005.

82. Wayne D. Bozeman also owned and operated Advanced Game Concepts, Inc. (“Advanced Game Concepts”), which was in the business of developing cranes for amusement park games, and which had its places of business at the offices of Keystone Game Supply and in Florida. Advanced Game Concepts ceased operating in or about 2000.

83. On or about February 16, 1999, and with guidance from defendant BERNARD J. BAGDIS, Wayne D. Bozeman opened a bank account at PNC Bank in the name of Advanced Game Concepts, for which Bozeman and his spouse were signatories, and for which the mailing address was the home of Bozeman and his spouse (“Advanced Game Concepts bank account”). The purpose of this account was to serve as a nominee bank account to receive the personal compensation of Bozeman, acting as the President of Keystone Game Supply, in the

form of checks made payable by Keystone Game Supply to Advanced Game Concepts, and deducted on the internal books and records, and on the corporate income tax returns, of Keystone Game Supply as consulting fee expenses. This compensation was used to pay the personal expenses of Bozeman and his spouse, but was not reported to the IRS, nor were any taxes paid.

84. During the years 1999 through 2007, Wayne D. Bozeman received an approximate total of \$830,369 in income from Keystone Game Supply, which was deposited into the Advanced Game Concepts bank account, and which Bozeman did not declare as income on his federal individual income tax returns, which were prepared and caused to be prepared by defendant BERNARD J. BAGDIS, resulting in an approximate tax due and owing of approximately \$157,000 for those tax years.

85. During the years 2000 through 2007, Wayne D. Bozeman used the Advanced Game Concepts bank account, and caused it to be used, to pay personal expenses including, among many others, advances to investment funds, credit card bills, pool cleaning services, lawn care services, utilities, checks to cash, and the mortgage for his home.

86. With the guidance of defendant BERNARD J. BAGDIS, Wayne D. Bozeman failed to file any corporate income tax returns during the years 2000 through 2007 for Advanced Game Concepts, and caused Keystone Game Supply to not issue any IRS Forms W-2 or 1099 regarding the checks deposited by Keystone Game Supply into the Advanced Game Concepts bank account and deducted by Keystone Game Supply as consulting fee expenses.

87. On or about April 15, 2000, and with the guidance of defendant BERNARD J. BAGDIS, Wayne D. Bozeman failed to file an individual income tax return for the tax year 1999, thereby failing to report to the IRS approximately \$51,688 in income received by

Bozeman from Keystone Game Supply, through deposits made into the Advanced Game Concepts bank account.

88. On or about the following dates, Wayne D. Bozeman signed and filed and caused to be filed the following false federal individual income tax returns for the years 2000 through 2007, which were prepared and caused to be prepared by defendant BERNARD J. BAGDIS, and which were false and fraudulent because, as BAGDIS well knew, they reported the following false sums of joint taxable income of Bozeman and his spouse, and failed to report the substantial additional taxable income earned by Bozeman, paid by Keystone Game Supply and deposited into the Advanced Game Concepts bank account:

	<u>Tax</u> <u>Year</u>	<u>Signature Date</u>	<u>Reported Taxable Income</u>
a.	2000	4/28/01	\$0
b.	2001	4/18/02	\$0
c.	2002	3/29/03	\$0
d.	2003	4/7/04	\$0
e.	2004	2/26/05	\$0
f.	2005	4/9/06	\$4,003
g.	2006	3/24/07	\$25,544
h.	2007	4/15/08	\$66,882

89. On or about the following dates, Wayne D. Bozeman, acting in his capacity as President, signed and filed and caused to be filed the following federal corporate income tax returns for Keystone Game Supply for the tax years 1999 through 2005, which were

prepared and caused to be prepared by defendant BERNARD J. BAGDIS, which reported the payments made by Keystone Game Supply and deposited into the Advanced Game Concepts bank account as deductible consulting fee expenses, and which reported the following amounts of officer compensation:

	<u>Tax</u> <u>Year</u>	<u>Signature Date</u>	<u>Reported Officer Compensation</u>
a.	1999	9/19/00	\$0
b.	2000	10/4/01	\$0
c.	2001	5/19/03	\$0
d.	2002	9/12/03	\$0
e.	2003	9/15/04	\$0
f.	2004	11/18/05	\$0
g.	2005	11/21/06	\$0

90. On or about May 4, 2006, defendant BERNARD J. BAGDIS falsely stated to a Pennsylvania State Police Trooper investigating the gaming license application submitted to the Commonwealth of Pennsylvania by Wayne D. Bozeman on behalf of Keystone Game Supply that the checks deposited by Keystone Game Supply into the Advanced Game Concepts bank account were used to pay for the home mortgage and property taxes of Bozeman because the home served as collateral for a business loan, and that the Advanced Game Concepts bank account served as a “placeholder” to track the use of the home as collateral.

91. On or about May 17, 2006, defendant BERNARD J. BAGDIS falsely stated to a Pennsylvania State Police Trooper investigating the gaming license application

submitted to the Commonwealth of Pennsylvania by Wayne D. Bozeman on behalf of Keystone Game Supply that the monies deposited by Keystone Game Supply into the Advanced Game Concepts bank account were used to track losses incurred by business ventures of Bozeman, and did not represent income to Bozeman.

92. On or about May 17, 2007, defendant BERNARD J. BAGDIS falsely stated to IRS special agents that Wayne D. Bozeman used the Advance Game Concepts bank account to track loan monies being returned by Keystone Game Supply to Bozeman.

**BAGDIS' EFFORTS TO OBSTRUCT AND IMPEDE THE IRS
REGARDING HIS PERSONAL INCOME TAXES**

93. Defendant BERNARD J. BAGDIS received income from a variety of sources, including the following:

- a. His law practice;
- b. fees charged to clients to transfer funds into and out of accounts he created and controlled;
- c. legal fees received by Michael S. Klein that he split with BAGDIS;
- d. ownership in various business entities, such as BDWC; and
- e. investments by MMT in real estate and other ventures.

94. Defendant BERNARD J. BAGDIS has not filed any individual federal income tax returns for himself or for any of the corporations he owns since at least 1990 or earlier.

95. As part of his endeavor to obstruct and impede the due administration of the internal revenue laws of the United States, defendant BERNARD J. BAGDIS took various steps to conceal his own income and assets from the IRS. Specifically, among others, BAGDIS:

- a. Deposited his income into the numerous bank accounts over which he exercised control, commingled his own funds among other funds that he received from clients, made numerous transfers of funds between and among the numerous bank accounts he controlled, and used bank accounts in the names of corporate entities he controlled to disguise the source of his payments for various personal expenses that he incurred;
- b. used bank accounts in the names of nominee companies, including Property Management Associates, to pay his mortgage and personal expenses;
- c. made regular payments to his wife, using the Personnel Department, Inc. bank account;
- d. used corporate credit cards in the names of Property Management Associates and Chronos, Inc. to make a variety of personal, non-business related purchases, and paid the credit card bills with funds from bank accounts in the names of B.J. Bagdis, Esq., P.C., Chronos, Inc., J.B. Sphynx, and Property Management Associates;
- e. applied for, received and used an American Express credit card in the names of a fictitious person, Frank Benjamin, in order to make purchases of personal items;
- f. obtained title to real estate that he owned in the names of nominee entities; and

- g. failed to file any individual federal income tax returns, failed to report his income to the IRS, and failed to pay any federal income taxes.

96. By virtue of the extraordinary and complex means that defendant BERNARD J. BAGDIS employed to conceal his income and disguise his expenses, he has made it virtually impossible to determine the entire amount of his unreported income and his unpaid federal tax obligation. However, BAGDIS has certified to various lenders over the years that he receives substantial amounts of income each year. For example, in a June 6, 1997 loan application with County Mortgage Services, BAGDIS certified that he received monthly income of \$10,000, or \$120,000 per year. In an October 2001 loan application to Sovereign Bank, BAGDIS certified that his monthly income was \$15,000, or \$180,000 per year. In an October 31, 2003 credit line application with Citizens Bank, BAGDIS certified that his annual personal income was \$100,000. Between 1998 and 2004, BAGDIS' clients wrote checks for legal services totaling more than \$1.17 million, which BAGDIS deposited into bank accounts that he controlled and which he used to pay for both personal and business expenditures.

BASEMENT DOCTOR

97. In or about April 1997, and with the assistance of defendant BERNARD J. BAGDIS, Bertram R. Russell, charged elsewhere in this Superseding Indictment, acquired complete ownership of Basement Doctor Inc. ("BDI"), the predecessor entity to BDWC, and which also was engaged in the business of waterproofing and home remodeling.

98. Beginning in or around 1997, defendant BERNARD J. BAGDIS, through the Personnel Department, Inc., caused quarterly payroll tax returns to be filed with the IRS in the name of the Personnel Department, Inc., and which included, as part of the total wage figure

reported by each Personnel Department, Inc. payroll tax return, compensation paid to a limited number of the employees of BDI.

99. On or about February 22, 1999, Bertram R. Russell, acting as the President and sole owner of BDI, signed an agreement with the Administar Corporation, in which the Administar Corporation agreed to perform bill payment and other financial services on behalf of BDI, in exchange for a monthly fee of one percent of all funds deposited into BDI's account at the Administar Corporation.

100. On or about June 28, 1999, defendant BERNARD J. BAGDIS and Bertram R. Russell created BDWC by causing its incorporation in Pennsylvania, and listing the registered office of BDWC as 1536 DeKalb Pike, Blue Bell, PA, one of the offices maintained by BAGDIS. Russell owned all shares of BDWC. Thereafter, BDWC functionally replaced BDI and began to perform the same services previously performed by BDI, through the same managers and employees, and through the same office at 332 Bustleton Pike, Feasterville, PA. The Administar Corporation continued to perform the same billing and financial functions for BDWC as it previously had performed for BDI, at the same fee rate.

101. On or about August 11, 1999, defendant BERNARD J. BAGDIS caused BDWC to obtain an employer identification number from the IRS, using the fictitious name "Julie Davis." BAGDIS caused BDWC to be incorporated as a Subchapter C corporation for the purposes of the tax code, thereby rendering BDWC subject to taxation.

102. On or about October 31, 1999, Bertram R. Russell sold 69% of his ownership of BDWC to defendant BERNARD J. BAGDIS, and to Kenneth W. Klinger and Stephen Schulz, charged elsewhere in this Superseding Indictment. BAGDIS acquired from

Russell a 7% equity ownership interest in BDWC, and later represented that his ownership interest was obtained through a company which he owned and controlled, Phoenix Reorganization Services.

103. Defendant BERNARD J. BAGDIS owned and controlled Chronos, Inc. (“Chronos”), which he used to process all credit card sales by BDWC. The funds were then deposited into a bank account in the name of Chronos, with funds later transferred to BDWC.

104. As a result of his ownership of and participation in BDWC, personally and through Phoenix Reorganization Services, Administar Corporation, and Chronos, defendant BERNARD J. BAGDIS obtained and maintained control and influence over the records, financial operations, and tax filings of BDWC. BAGDIS provided financial and accounting services to BDWC, including services relating to taxes, payroll, banking, and credit card processing, in return for fees and commissions.

105. On or about December 14, 1999, defendant BERNARD J. BAGDIS caused BDWC to open a corporate bank account at Commerce Bank using the fictitious identity “Chris White” as the supposed President of BDWC and authorized signatory for the bank account, and identified the mailing address as 1536 DeKalb Pike, Blue Bell, PA, one of the offices controlled by BAGDIS. This bank account was designated as the “payroll account” for BDWC. From on or about December 14, 1999 through at least on or about December 31, 2003, and at the direction of BAGDIS, Kathleen Williams, charged elsewhere in this Superseding Indictment, wrote wage checks from the payroll account to some of the employees of BDWC, signing the checks with a signature stamp in the name of “Chris White.”

106. On or about March 6, 2000, defendant BERNARD J. BAGDIS caused the Administar Corporation to open a corporate bank account at Commerce Bank labeling Kathleen

Williams as the purported president of the Administar Corporation, and the fictitious identity “Karen Wilson” as its purported secretary, and using both as authorized signatories for the bank account. The mailing address of this account was 1536 DeKalb Pike, Blue Bell, PA, one of the offices controlled by BAGDIS. From at least in or about January 2000 through at least on or about September 12, 2000, and at the direction of defendant BAGDIS, Williams wrote checks, representing wages, salary, and other compensation, from this account and from another Commerce Bank account previously created in the name of the Administar Corporation to many of the officers, employees, and subcontractors of BDWC, signing the checks with a signature stamp in the name of “Karen Wilson.”

107. On or about September 12, 2000, defendant BERNARD J. BAGDIS caused The Accounting Department, Inc. to open a corporate bank account at Commerce Bank using Bertram R. Russell, charged elsewhere in this Superseding Indictment, and the fictitious identities “Chris White” and “Pat Davis” as the authorized signatories for the bank account. Although it was held in the name of another corporate entity, this bank account was referred to and used as the “operating account” for BDWC. From on or about September 12, 2000 through on or about February 27, 2003, and at the direction of BAGDIS, employees of BDWC, including Person No. 1, an individual known to the grand jury, wrote checks, representing wages, salary, and other compensation, from the operating account to many of the officers, employees, and subcontractors of BDWC, signing the checks with a signature stamp in the name of “Chris White.” This account was funded primarily by transfers of funds from the Commerce Bank account held in the name of the Administar Corporation, based upon requests for such transfers by employees of BDWC to Kathleen Williams.

108. On or about April 17, 2001, defendant BERNARD J. BAGDIS, on behalf of Phoenix Reorganization Services, signed and initialed a series of documents in which Bertram R. Russell transferred his remaining ownership share of BDWC to Kenneth W. Klinger and Stephen Schulz and in which Russell stated that he assigned to MMT his interest in payment from Klinger and Schulz for the transfer of Russell's ownership share of BDWC.

109. On or about February 27, 2003, defendant BERNARD J. BAGDIS caused The Accounting Department, Inc. to open a corporate bank account at Commerce Bank using the fictitious identity "Chris White" as an authorized signatory for the bank account. This bank account replaced the Commerce bank account opened on or about September 12, 2000 as the "operating account" for BDWC. From on or about February 27, 2003 to at least December 31, 2003, and at the direction of BAGDIS, employees of BDWC, including Person No. 1, an individual known to the grand jury, wrote checks, representing wages, salary, and other compensation, from this account to many of the officers, employees, and subcontractors of BDWC, signing the checks with a signature stamp in the name of "Chris White."

110. From at least in or about June 1999 through in or about October 2004, and as a result of the substantial involvement in BDWC by defendant BERNARD J. BAGDIS and companies which BAGDIS controlled or owned, BAGDIS maintained at his offices at 1200-02 DeKalb Pike, Blue Bell, PA, numerous records involving BDWC and its finances, including records involving its ownership, income, expenses, bank accounts, officers, employees, taxes, and payroll.

111. Defendant BERNARD J. BAGDIS advised and directed the owners, officers and employees of BDWC to disregard the internal revenue laws, including the

requirements to file federal individual and corporate income tax returns, and pay income and wage taxes.

112. At the direction of defendant BERNARD J. BAGDIS, BDWC did not file a corporate income tax return, Form 1120, for the 1999 through 2003 tax years, although BDWC was required to do so.

113. Defendant BERNARD J. BAGDIS solicited officers and employees of BDWC to join what was described to them as “the program.” The purpose of “the program” was to assist clients in concealing their personal income and assets, and evading personal income taxes. BAGDIS advised and assisted participants in “the program” in organizing a shell corporation, transferring taxable income into a bank account held in the name of the shell corporation, paying for personal expenses with the income deposited into this corporate account, not filing any tax returns for the shell corporation, and not reporting the income to the IRS. The effect of this advice and assistance was to disguise the salaries of participants in “the program” as corporate income and not personal income, and consequently, the income was not directly associated with the employee’s social security number and was made difficult to discover by the IRS.

114. In order to ensure that participants in “the program” remained undetected by the IRS, defendant BERNARD J. BAGDIS caused BDWC to not file with the IRS any Forms W-2, Forms W-3, Forms 1099, or Forms 1096 which reported the wages and compensation paid by BDWC to participants in “the program,” and caused BDWC to file false annual and quarterly payroll tax returns, Forms 940 and 941, which failed to report the wages and compensation paid by BDWC to participants in “the program.”

115. Defendant BERNARD J. BAGDIS designed the accounting practices and procedures of BDWC to assist the company, and officers and employees in the company, to evade payroll and individual taxes. At the direction of BAGDIS, employees of BDWC routinely were classified either as “employees,” and therefore as “W-2,” referring to IRS Form W-2, or as “subcontractors,” and therefore as “1099,” referring to IRS Form 1099, without regard to their actual job description or proper tax treatment status. As a result, and as BAGDIS well knew, many individuals who received wages from BDWC, and who in fact were employees, including officers, managers, salesmen, and laborers, were misclassified as “1099.” Although some individuals who had received compensation from BDWC were properly classified as “1099,” most of the individuals designated as “1099” were misclassified, and in fact were employees, as BAGDIS well knew. No true subcontractor who performed work for BDWC, however, was misclassified as “W-2.”

116. At the direction of defendant BERNARD J. BAGDIS, the employees of BDWC who were classified as “W-2” typically received their wages through checks written from the payroll account, with taxes withheld from their earnings. The payroll tax returns filed on behalf of BDWC, and the Forms W-2 filed on behalf of these employees, reported these wages.

117. At the direction of defendant BERNARD J. BAGDIS, the employees of BDWC who were improperly classified as “1099” typically received their wages through checks written from the operating account, and these wages were not reported to the IRS on any payroll return or Form W-2. No taxes were withheld from the wage checks issued to the BDWC employees misclassified as “1099,” and no taxes were reported or paid over to the IRS.

118. At the direction of defendant BERNARD J. BAGDIS, BDWC labeled its “1099” workers in its Quickbooks computer records as either “1099O,” referring to office staff, “1099L,” referring to laborers, “1099C,” referring to salesmen, or “1099S,” referring to subcontractors, so that the internal books and records of BDWC could differentiate and identify the actual job descriptions of numerous employees who had been misclassified as “1099.”

119. At the direction of defendant BERNARD J. BAGDIS, Michael S. Klein, charged elsewhere in this Superseding Indictment, prepared and caused to be prepared on an annual basis numerous Forms 1099 for individuals designated by BDWC as “1099,” based upon the amount of compensation which they had received from BDWC. At the further direction of BAGDIS, however, the individuals designated as “1099,” including even the individuals properly classified as “1099,” did not receive any Forms 1099 prepared every tax year in their name, unless the individuals requested, sometimes repeatedly, that BAGDIS provide the form.

120. At the direction of defendant BERNARD J. BAGDIS, BDWC, and the owners and operators of BDWC, including BAGDIS, never filed a Form 1096 with the IRS and related Forms 1099 in the names of individuals receiving compensation from BDWC, including even the individuals properly classified as “1099.” As a result of this practice, BAGDIS caused BDWC to not report to the IRS at least approximately \$2,123,480 in compensation paid by BDWC to individuals properly classified as “1099” during the years 2000 through 2003, and whose compensation should have been reported on a Form 1096.

121. In or about March 1999, an employee of BDI, the predecessor company of BDWC, filed with the IRS a Form 1096 for the 1998 tax year, attaching various Forms 1099 regarding employees of BDI, including Kenneth W. Klinger, a member of “the program” at

BDWC, and charged elsewhere in this Superseding Indictment. The attached Form 1099 regarding Klinger, who had not filed with the IRS a 1998 individual income tax return, reported that BDI had paid approximately \$170,753 in compensation to Klinger in 1998. The filing of this Form 1096, and attached Form 1099, resulted in the IRS initiating administrative proceedings against Klinger for the 1998 tax year, during which defendant BERNARD J. BAGDIS represented Klinger before the IRS.

122. On or about December 11, 2003, in order to obstruct and stall the IRS during its administrative proceedings against Kenneth W. Klinger, and in order to preserve Klinger's ongoing participation in "the program" at BDWC, defendant BERNARD J. BAGDIS filed and caused to be filed with the IRS an amended Form 1096 on behalf of BDI for the 1998 year, signed by Bertram R. Russell, as the former President of BDI. As BAGDIS and Russell well knew, this amended Form 1096 was false because it attached an amended Form 1099 for Klinger, reporting that BDI had paid zero compensation to Klinger in 1998, when in fact BDI had paid Klinger substantial compensation during 1998.

123. BDWC filed with the IRS quarterly payroll tax returns, IRS Forms 941, and annual payroll tax returns, IRS Forms 940, for the applicable quarters and tax years from 2000 through 2003. At the direction of defendant BERNARD J. BAGDIS, these payroll tax returns were signed by Kathleen Williams with a signature stamp bearing the fictitious identity "Chris White." These payroll tax returns were false and fraudulent because, as BAGDIS well knew, they failed to report a substantial portion of the income and wages paid to the officers, including Kenneth W. Klinger and Stephen Schulz, and to the employees of BDWC. As defendant BAGDIS well knew, these payroll returns only reported the wages and compensation

paid to the “W-2” employees out of the payroll bank account held in the name of BDWC, which represented only a portion of the total wages and compensation paid by BDWC to its officers and employees. These payroll returns, as BAGDIS well knew, did not report the total income and wages paid by BDWC from other sources, including from the operating bank accounts held in the name of The Accounting Department, to officers and employees misclassified as “1099.”

Specifically, on or about the dates set forth below, BAGDIS filed and caused to be filed on behalf of BDWC the following false Forms 941 and 940, which failed to report an approximate total of \$10,397,313 in wages and compensation paid to officers and employees, thereby resulting in a Federal Insurance Contribution Act tax loss of approximately \$1,618,299:

	<u>Business</u> <u>Quarter or Year</u>	<u>Filing Date</u>	<u>Total Reported Wages</u>	<u>Approximate Total of</u> <u>Unreported Wages</u>
A.	00/03	04/14/00	\$33,188.25	\$309,369.82
B.	00/06	07/15/00	\$26,411.00	\$318,900.26
C.	00/09	10/25/00	\$20,842.00	\$317,760.00
D.	00/12	01/30/01	\$25,466.50	\$300,035.55
E.	2000	01/30/01	\$105,157.75	\$1,246,065.63
F.	01/03	04/24/01	\$27,534.00	\$410,467.48
G.	01/06	07/24/01	\$39,564.50	\$456,955.08
H.	01/09	10/23/01	\$55,982.00	\$455,217.57
I.	01/12	01/28/02	\$72,766.25	\$450,152.31
J.	2001	1/28/02	\$195,846.75	\$1,772,792.44
K.	02/03	04/24/02	\$86,916.25	\$358,111.75
L.	02/06	07/23/02	\$107,123.50	\$476,068.13

M.	02/09	10/23/02	\$164,017.89	\$704,722.91
N.	02/12	01/23/03	\$231,184.20	\$914,999.55
O.	2002	01/23/03	\$589,241.84	\$2,453,902.34
P.	03/03	04/21/03	\$198,928.30	\$887,967.47
Q.	03/06	07/28/03	\$283,542.70	\$1,142,618.49
R.	03/09	10/27/03	\$442,798.64	\$1,592,957.76
S.	03/12	01/22/04	\$680,904.15	\$1,301,009.45
T.	2003	01/22/04	\$1,605,959.79	\$4,924,553.17

**THE UNDERCOVER OPERATION AND ADDITIONAL
EFFORTS BY BAGDIS TO OBSTRUCT AND IMPEDE THE IRS**

124. In addition to the elaborate methods employed by defendant BERNARD J. BAGDIS to attempt to obstruct and impede the due administration of the internal revenue laws of the United States that are described above, BAGDIS engaged in additional efforts to obstruct and to impede the IRS in the course of his dealings with two undercover IRS agents, identified here as “UC#1” and “UC#2,” who posed as new clients and whom BAGDIS believed shared his disdain for the IRS and federal tax laws.

125. Over the course of his dealings with UC#1 and UC#2, without ever preparing or filing a Currency Transaction Report or a Report of Cash Payments Over \$10,000 Received in a Trade or Business, defendant BERNARD J. BAGDIS accepted approximately \$101,759 in cash payments that he believed represented income that was never reported to the IRS, and, after taking a 2% fee for his services, assisted the undercover agents in concealing this amount by providing them with checks from corporations that BAGDIS controlled, and which

were then deposited into bank accounts set up in the name of nominee corporations created by BAGDIS and which were not directly traceable back to the identities of the undercover agents.

126. In the course of his dealings with the undercover IRS agents, defendant BERNARD J. BAGDIS described himself as an active member of the “anti-tax underground,” and encouraged his “new clients” to organize their affairs so that they, too, could stop filing federal income tax returns:

BAGDIS: Because everybody recognizes there's 50 million non-filers by the way.

UC#1: No I didn't know that.

BAGDIS: That's very kept (UI) kept it very, very quiet.

UC#1: I'd like to be the 50 million and first if I could get away with it.

BAGDIS: You can. Actually, you just have to organize your affairs appropriately.

127. Defendant BERNARD J. BAGDIS explained to the undercover agents his views regarding the most effective methods of concealing income and assets from the IRS, and advised them regarding the most effective ways of accomplishing these objectives without detection by the IRS. BAGDIS specifically explained that the best approach in dealing with the IRS was to “hide in plain sight” both income and assets, and to eliminate the reporting of compensation payments by third parties to the IRS, thereby making it difficult for the IRS to determine whether taxes are due and owing:

BAGDIS: Alright, so now we're into hide it in plain sight and there's no reason for anybody to ever ask a question.

UC#1: Hm.

BAGDIS: And uhm there are cases out there that basically say if there are no third party documents the IRS has no basis to do an assessment on anything.

UC#1: Right.

BAGDIS: Okay? So if you think of your 1040 as a Visa bill.

UC#1: Yeah.

BAGDIS: It's your determination of what the value of the service is that you think the government provided you last year.

UC#1: Right.

BAGDIS: So once you sign that, they will then collect it. If you don't sign it. There's nothing they can do about it.

128. On or about August 21, 2003, defendant BERNARD J. BAGDIS met with UC#1 at his office in Blue Bell, Pennsylvania. UC#1 told BAGDIS that he was in possession of a significant amount of cash from his business that he wanted to conceal from the IRS. BAGDIS explained to UC#1 that he owned an Irish Bank, MMT, into which UC#1 could safely deposit cash, and that BAGDIS would then use to write checks on behalf of UC#1, all of which would be accomplished without alerting the IRS:

UC#1: Before we go any further, so in other words, we can -- I can do different things with this.

BAGDIS: Absolutely.

UC#1: I can come up here once a week with a bag of cash and you'll give me a check for it.

BAGDIS: Or a series of checks.

UC#1: Or a series of checks made out to anybody I want, anything I want, barring something stupid.

BAGDIS: Right.

129. Defendant BERNARD J. BAGDIS also explained how UC#1 could purchase a house with the cash he had accumulated but would make it appear to the IRS and to the outside world that the house was encumbered through the creation of a sham mortgage arrangement in which MMT was the purported lender and mortgage holder. BAGDIS further explained that he would provide UC#1 with a mortgage satisfaction document that he could file at any time to release the lien on his new property, and that, during the time period that the phony mortgage was in place, UC#1 could take IRS deductions based on the mortgage interest that UC#1 would pay to himself. In an attempt to persuade UC#1 that his methods were successful, BAGDIS explained that he generated Forms 1099 to show transactions for one of his clients to make it appear to the IRS that the client had no income for the year, and expressed confidence that his sophisticated methods of concealing income from the IRS would continue to succeed:

BAGDIS: Okay. This is hide it in plain sight. There is no way anybody can construct a credible, can you decide whether they made money or not on this?

UC#1: Take you a long time.

BAGDIS: Is it worth it?

UC#1: Not to me, it's not.

BAGDIS: Okay.

UC#1: You couldn't pay me enough to do it.

BAGDIS: And, and what if you're a GS-9, bureaucrat at the IRS? You're not gonna understand how to do this. No one's gonna look at this. There's no way.

130. On or about August 21, 2003, UC#1 met again with defendant BERNARD J. BAGDIS at his office in Blue Bell, Pennsylvania and discussed the concept of using a

corporate entity or trust created by BAGDIS but controlled by UC #1 in order to receive deposits of UC#1's funds. When explaining to UC#1 the requirement that any such entity obtain an Employer Identification Number (“EIN”) from the IRS, BAGDIS stated to UC#1 that “what you really want is an anonymous EIN, which is not traceable to you.” Referring to Helen Gramaski, charged elsewhere in this Superseding Indictment, BAGDIS further explained that “we have a little old lady who applies for the EIN because she becomes either the trustee and then resigns or the treasurer of the corporation and then resigns. . . . She’s about to file bankruptcy, so the trail is going to end.”

131. During the August 21, 2003, meeting, defendant BERNARD J. BAGDIS further explained how UC#1 could covertly use cash to purchase a house by supplying BAGDIS with cash in exchange for post-dated checks. BAGDIS explained that he had a client that had significant petty cash requirements, and that UC#1's cash would be used to meet those requirements instead of being deposited into the bank. BAGDIS confirmed that there would be no Currency Transaction Report (“CTR”)² created or filed concerning the transaction. BAGDIS explained that UC#1’s trust would purchase the house with a sham mortgage from MMT, and that BAGDIS would record the mortgage in Montgomery County to make it appear that the trust had borrowed the money to purchase the house. BAGDIS stated it does not matter to him if “you make regular payments on it or not, I don’t care,” and explained that UC#1 could set his

² A currency transaction report (“CTR”) is a report that every United States financial institution must file with the U.S. Department of the Treasury for each deposit or withdrawal involving more than \$10,000 in currency. A trade or business that receives currency in excess of \$10,000 in one transaction must file a Report of Cash Payments Over \$10,000 Received in a Trade or Business (Internal Revenue Service and Financial Crimes Enforcement Network Form 8300).

own interest rate to allow him to deduct any payments he made to himself from his taxable income. BAGDIS also told UC#1 that he could access the cash he took out of his business and placed into a trust through a credit card or by leasing a car, noting that “you’re going to pay for everything with what appear to be before tax dollars.” At this meeting, BAGDIS further explained that the trustee of UC#1's trust would not even be a real person.

132. On or about November 25, 2003, defendant BERNARD J. BAGDIS created a trust for UC#1 and an undercover agent posing as his wife (hereafter “UC#2”), which he named the “Sovereign Trust,” and provided a nine-page trust agreement to them. This trust agreement identified BAGDIS as the trustee and UC#1 and UC#2 as the beneficiaries. BAGDIS also provided to UC#1 and UC#2 an original letter in which BAGDIS resigned as trustee of Sovereign Trust and appointed John Feriggino, whom BAGDIS knew was a fictitious person, as successor trustee of the trust.

133. On November 25, 2003, defendant BERNARD J. BAGDIS set up a trust bank account for UC#1 and UC#2 at Madison Bank in the name of Sovereign Trust, with UC#1 and UC#2 having signature authority on the account. UC#1 gave BAGDIS \$20,000 in cash and, in exchange, BAGDIS wrote a check, number 2362, on the MMT disbursement account maintained at Madison Bank, in the amount of \$19,600 payable to Sovereign Trust, which he then provided to UC#1 and UC#2 for deposit into the newly-created account. During this meeting, BAGDIS told UC#1 and UC#2, “If you want to hide \$10,000, don't hide it in an \$11,000 pile. Hide it in a million dollar pile Nobody will ever find it.”

134. On or about December 3, 2003, defendant BERNARD J. BAGDIS informed UC#1 that BAGDIS was the trustee of the Sovereign Trust and that Sovereign Trust

owned 100% of Trynon Corporation, a shell corporation previously incorporated by BAGDIS. BAGDIS explained that he would transfer the funds balance arising from the checks that had been deposited into the Sovereign Trust bank account over to a new bank account at Madison Bank established for Trynon Corporation, of which UC#1 was not a signatory at the time. BAGDIS told UC#1 that they could create a signature stamp in the name of John Feriggino, the fictitious name chosen by UC#1, but that BAGDIS would be the signatory on the Sovereign Trust account until they had a signature card for John Feriggino.

135. On or about December 16, 2003, defendant BERNARD J. BAGDIS met with UC#1 at his offices in Blue Bell, Pennsylvania. At this meeting, BAGDIS explained to UC#1 and UC#2 how UC#1 would transfer \$18,600 into Trynon and deposit an additional \$19,600 into Trynon that day. BAGDIS accompanied UC#1 to Madison Bank, where they opened a bank account in the name of Trynon Corporation. At this meeting, UC #1 gave BAGDIS \$20,000 in cash. In return, BAGDIS gave UC #1 and UC #2 three Madison Bank checks made payable to Trynon Corporation totaling \$19,600: check #6440 from the Chronos Incorporated operations account in the amount of \$12,500; check #2321 from the MMT bank account in the amount of \$5,000; and check #2628 from the B. Jay Bagdis, P.C. Pennsylvania Trust Account in the amount of \$2,100.

136. On or about March 2, 2004, UC#1 and UC#2 met with defendant BERNARD J. BAGDIS at his offices in Blue Bell, Pennsylvania. At this meeting, BAGDIS told the undercover agents that his bank, MMT, would pay them interest tax free if they decided to invest in one of BAGDIS' ventures. BAGDIS stated that he would not create a Form 1099 showing any interest paid to the undercover agents. During this meeting, UC#2 gave BAGDIS

an envelope containing \$20,467 in cash. BAGDIS took the envelope and gave UC#1 and UC#2 three Madison Bank checks made payable to Trynon Corporation totaling \$20,058: check #2568 from the Chronos Incorporated account in the amount of \$7,468.47; check #2569 from the Chronos Incorporated account in the amount of \$6,678.45; and check #2464 from the MMT account in the amount of \$5,911.08.

137. On or about May 12, 2004, UC#1 and UC#2 met with defendant BERNARD J. BAGDIS at his offices in Blue Bell, Pennsylvania. During this meeting, UC#1 and UC#2 gave BAGDIS \$20,874 in cash. BAGDIS gave UC#1 and UC#2 two Madison Bank checks made payable to Trynon Corporation totaling \$20,456.52: check #2564 drawn on the MMT account in the amount of \$7,466.52 and check #2012 drawn on an Administar account in the amount of \$12,990.

138. On or about July 27, 2004, UC#1 met with BERNARD J. BAGDIS at his offices in Blue Bell, Pennsylvania. During this meeting, UC #1 gave BAGDIS an additional \$20,418 in cash and, in exchange, received from BAGDIS Madison Bank check #16655, drawn on the Administar account, and made payable to Trynon Corporation in the amount of \$20,009.64.

**EFFORTS BY BAGDIS TO OBSTRUCT THE IRS
DURING THE ONGOING CRIMINAL TAX INVESTIGATION**

139. On or about October 20, 2004, and in the course of investigating the conduct described in this Superseding Indictment, special agents of the IRS, as well as the Federal Bureau of Investigation and the U.S. Postal Inspection Service, executed search warrants at the law and business offices of defendant BERNARD J. BAGDIS at 1200-02 DeKalb Pike, Blue Bell, Pennsylvania; at the residence of BAGDIS; at the main office of BDWC, at 3133

Lincoln Highway, Bensalem, Pennsylvania; and at the residence of Kenneth W. Klinger, charged elsewhere in this Superseding Indictment, as BAGDIS well knew.

140. On or about April 15, 2005, Kenneth W. Klinger met with defendant BERNARD J. BAGDIS and explained to BAGDIS that he was concerned that federal agents were continuing to pursue the criminal investigation, and were continuing to interview the employees of BDWC, including by asking employees about their job duties and whether they received Forms W-2 or Forms 1099. Klinger informed BAGDIS that he was concerned about the ongoing criminal investigation because, in light of the search warrants, an outside accounting firm was insisting that BDWC report all of its employees on its payroll. Klinger expressed to BAGDIS his concern that the significant difference between the amount of payroll reported by BDWC before the search warrants, as directed by BAGDIS, and the amount of payroll reported by BDWC after the search warrants, as directed by the outside accounting firm, would represent a “red flag.” Klinger also informed BAGDIS that he was concerned because BDWC never filed tax returns, and because of ongoing media coverage regarding criminal tax prosecutions. As BAGDIS well knew, Klinger faced significant criminal tax issues, due to his involvement with BAGDIS, and represented a potential witness against BAGDIS in regards to the criminal tax conspiracy involving BAGDIS and Klinger, charged in Count 36 of this Superseding Indictment, and in regards to the overall efforts of BAGDIS to obstruct and impede the IRS, including his obstructive efforts involving the tax obligations of BDWC and its officers and employees.

141. On or about April 15, 2005, in light of the concerns expressed by Kenneth W. Klinger regarding the ongoing criminal tax investigation, and in order to attempt to further obstruct and impede the IRS and the ongoing criminal tax investigation, defendant BERNARD J.

BAGDIS attempted to do the following: (a) maintain Klinger's continued loyalty and continued adherence to "the program;" (b) convince Klinger that the criminal investigation into BAGDIS, BDWC, Klinger, and others would fail; and (c) persuade Klinger that he should not file any tax returns for previous tax years on behalf of BDWC or K&D Industries, the shell corporation used to conceal Klinger's income, and which BAGDIS had assisted in creating. In order to attempt to attain these goals, BAGDIS made the following statements, among others, to Klinger:

- a. Stating that if Klinger and BDWC followed the advice of the outside accounting firm and put "everybody on payroll," then "the bottom line is you are going to go out of business. You can't afford this, this isn't rocket science. This is cash flow 101."
- b. Stating that Klinger and BDWC were more successful when BAGDIS was controlling the payroll because, according to BAGDIS, "I know how to move the numbers around."
- c. When asked by Klinger whether BDWC should file tax returns, responding "Eventually, maybe[,] and "So, you have employees, you probably should file at some point. You didn't make any money, so who cares. It's not high on our list of priorities of things to do. We'll get there."
- d. When asked by Klinger whether K&D Industries should file tax returns, responding "You'll get around to filing it, eventually. Is that high on your list of priorities right now?"

- e. Stating that efforts by the IRS to collect payroll taxes are “the quintessential racketeering operation. Duh.”
- f. Stating that there is no law which requires the filing of Forms 1099 with the IRS, and that “[a]nybody [from BDWC] who wants a 1099 we have them here. We could give them copies.”
- g. When discussing the law regarding the need to file Forms W-2 and Forms 1099, suggesting that there is a difference between “[t]he real law [and] the law as interpreted by the IRS,” and stating that “the real law is you can do whatever the fuck you want if I work for you and you pay me \$100 a day you paid me a \$100 a day its between you and me whether that’s reportable, taxable or everything else like that that’s an issue that, I got the money, I have to decide.”
- h. Stating to Klinger that “[y]ou have to fight the assessment” action by the IRS which resulted from the Form 1099 filed in his name by Basement Doctor, Inc.
- i. When asked by Klinger whether he was worried about the investigating federal agents, responding “No. Let them do all the work. Let them start up with their best case it will take them two years and they are going to say you made \$2 million and we go no we didn’t let me see what you got. This is wrong, this is wrong, we do this all the time.”

- j. Describing the ongoing criminal tax investigation as “a fight to the death. And our exit strategy is to serve up Stephen [Schulz] and let [the federal investigators] save face, we think.”
- k. Stating to Klinger that, “I’m working on my new book, it’s called Federal Tax Fraud, the User’s Guide.”

All in violation of Title 26, United States Code, Section 7212(a).

COUNT TWO

THE GRAND JURY FURTHER CHARGES THAT:

At all times relevant to this Superseding Indictment:

1. Paragraphs 1-9, 11-15 and 16-21 of Count One are incorporated here.
2. During the years 1996 though 2006, defendant BERTRAM R. RUSSELL

was a licensed physician who actively practiced medicine as a radiologist and who received substantial compensation for this work each year.

The Conspiracy

3. From in or about 1996 or earlier, and continuing thereafter up to and including the date of this Superseding Indictment, in the Eastern District of Pennsylvania, and elsewhere, defendants

BERNARD J. BAGDIS and BERTRAM R. RUSSELL

conspired and agreed, together and with others known and unknown to the grand jury, to knowingly defraud the United States for the purpose of impeding, impairing, obstructing, and defeating the lawful government functions of the Internal Revenue Service of the Department of the Treasury in the ascertainment, computation, assessment, and collection of taxes, in violation of Title 18, United States Code, Section 371.

Manner and Means

It was part of the conspiracy that:

4. Beginning in or about 1996 or earlier, defendants BERTRAM R. RUSSELL and BERNARD J. BAGDIS agreed that defendant RUSSELL would “drop out of the system,” meaning that, with the direction and assistance of defendant BAGDIS, defendant

RUSSELL would undertake efforts to eliminate the reporting by third parties to the IRS of compensation paid to defendant RUSSELL, would no longer pay any federal employment and other taxes on his income, and would no longer report any of his income and other compensation to the Internal Revenue Service.

5. Defendant BERNARD J. BAGDIS advised and assisted defendant BERTRAM R. RUSSELL in setting up an arrangement with a local health care provider of radiology services whereby defendant RUSSELL's corporation, Pennsylvania Physicians, would be paid for his professional services.

6. During the years 1998 through 2006, defendant BERTRAM R. RUSSELL received almost \$3 million in compensation for his professional medical services, yet did not report any of this income to the IRS and did not pay any federal income taxes on this income.

7. With assistance and guidance from defendant BERNARD J. BAGDIS, defendant BERTRAM R. RUSSELL formed a number of shell corporations that he utilized to assist in the efforts to conceal his income and disguise the sources and uses of his funds, including the following:

- Pennsylvania Physicians, P.C.
- High Pines, Ltd.
- Bertram R. Russell, M.D., P.C.
- Russell Medical Associates

8. With assistance and guidance from defendant BERNARD J. BAGDIS, defendant BERTRAM R. RUSSELL opened bank accounts for Pennsylvania Physicians, P.C. at First Union National (later Wachovia) Bank, High Pines, Ltd. at First Union National (later

Wachovia) Bank and Sovereign Bank, and Bertram Russell, M.D., P.C. at First Union National (later Wachovia) Bank, which defendant RUSSELL then used to receive the income for his professional medical services and to pay personal expenses including, among many others, school tuition for his children, country club membership dues, household remodeling projects, credit card charges for vacations and purchases of various types of personal merchandise.

9. As part of their mutual efforts to disguise and conceal defendant BERTRAM R. RUSSELL's sources and uses of income, defendant BERNARD J. BAGDIS utilized bank accounts he controlled, including those of the Personnel Department, Inc. and MMT, to receive funds from defendant RUSSELL and to pay personal expenses of defendant RUSSELL.

10. After IRS initiated audit and collection activities with respect to tax years 1998, 1999 and 2000, defendant BERTRAM R. RUSSELL, with assistance from defendant BERNARD J. BAGDIS, signed and filed false Form 1040 Individual Income Tax returns for each of those years that did not include any of his own income and instead included only the wages received by his wife which defendants BAGDIS and RUSSELL knew had been reported to the IRS by the wife's employer.

11. Defendant BERTRAM R. RUSSELL failed to file any individual federal income tax returns during the years 2001 through 2006, failed to report any income, and failed to pay any federal income taxes during all of those years.

Overt Acts

In furtherance of the conspiracy, defendants BERNARD J. BAGDIS and BERTRAM R. RUSSELL, and others known and unknown to the grand jury, committed the following overt acts in the Eastern District of Pennsylvania, and elsewhere:

12. On or about January 11, 1996, defendants BERNARD J. BAGDIS and BERTRAM R. RUSSELL, along with John P. Leichner, charged elsewhere in this Superseding Indictment, created and incorporated Pennsylvania Physicians, P.C., a Pennsylvania corporation.

13. On or about January 19, 1996, defendant BERTRAM R. RUSSELL opened a checking account at First Union (later Wachovia) Bank in the name of Pennsylvania Physicians, P.C.

14. On or about April 18, 1997, defendant BERTRAM R. RUSSELL, with assistance and guidance from defendant BERNARD J. BAGDIS, entered into a new agreement with the Trustees of the University of Pennsylvania, the University of Pennsylvania Health System, and the Clinical Practices of the University of Pennsylvania (collectively referred to as the “University of Pennsylvania”) whereby defendant RUSSELL’s corporation, Pennsylvania Physicians, P.C., would be paid for his professional services to the University of Pennsylvania’s Division of Community Radiology (hereafter collectively referred to as “Community Radiology Services”).

15. On or about March 6, 1998, defendants BERNARD J. BAGDIS and BERTRAM R. RUSSELL created and incorporated High Pines, Ltd., a Delaware corporation.

16. On or about February 17, 1999, defendant BERNARD J. BAGDIS wrote a letter to the IRS in response to IRS notices issued to defendant BERTRAM R. RUSSELL’s wife

concerning the 1994, 1995 and 1996 tax years in which he falsely asserted that wages reported to the IRS by the wife's employer were "not income to Ms. Russell, but were merely a source of Ms. Russell's income," and enclosed Form 1040 Individual Income Tax Returns for defendant RUSSELL's wife for the years 1994, 1995 and 1996 that falsely reported that no salary or wages were received in any of those years.

17. On or about September 21, 1999, at the direction of defendant BERNARD J. BAGDIS, the Personnel Department, Inc., an entity controlled by defendant BAGDIS, issued check number 7181 from its account at Commerce Bank in the approximate amount of \$544.14 to the Philadelphia Country Club in order to pay defendant BERTRAM R. RUSSELL's club membership dues and related expenses.

18. On or about January 26, 2000, at the direction of defendant BERNARD J. BAGDIS, the Personnel Department, Inc., an entity controlled by defendant BAGDIS, issued check number 7355 from its account at Commerce Bank in the approximate amount of \$1,845.61 to the Merion Cricket Club in order to pay defendant BERTRAM R. RUSSELL's club membership dues and related expenses.

19. On or about June 28, 2000, at the direction of defendant BERNARD J. BAGDIS, the Personnel Department, Inc., an entity controlled by defendant BAGDIS, issued check number 7562 from its account at Commerce Bank in the approximate amount of \$7,335 to the Crossroads School in order to pay the tuition and related expenses of one of defendant BERTRAM R. RUSSELL's children.

20. On or about September 7, 2000, in response to IRS audit and collection activity, defendant BERTRAM R. RUSSELL signed and filed a Form 1040, Individual Income

Tax return for the year 1997, selecting the option of “married filing jointly,” which falsely reported as income only the wages received by defendant RUSSELL’s spouse which the spouse’s employer had reported to the IRS for that year and which falsely omitted all of the income received by defendant RUSSELL during that year.

21. On or about November 29, 2000, defendant BERTRAM R. RUSSELL opened a bank account at Sovereign Bank in the name of High Pines, Ltd.

22. On or about April 3, 2001, in response to IRS audit and collection activity, defendant BERTRAM R. RUSSELL signed and filed a Form 1040, Individual Income Tax return for the year 1998, selecting the option of “married filing jointly,” which falsely reported as income only the wages received by defendant RUSSELL’s spouse which the spouse’s employer had reported to the IRS for that year and which falsely omitted all of the income earned by defendant RUSSELL during that year.

23. On or about October 31, 2001, in response to IRS audit and collection activity, defendant BERTRAM R. RUSSELL signed and filed a Form 1040, Individual Income Tax return for the year 1999, selecting the option of “married filing jointly,” which falsely reported as income only the wages earned by defendant RUSSELL’s spouse which the spouse’s employer had reported to the IRS for that year and which falsely omitted all of the income earned by defendant RUSSELL during that year.

24. On or about July 20, 2002, defendant BERTRAM R. RUSSELL transferred approximately \$25,700 from the bank account of Pennsylvania Physicians, P.C. to the Personnel Department, Inc. bank account controlled by defendant BERNARD J. BAGDIS at Sovereign Bank.

25. On or about July 26, 2002, at the direction of defendant BERNARD J. BAGDIS, the Personnel Department, Inc., an entity controlled by defendant BAGDIS, issued check number 624 from its account at Sovereign Bank in the approximate amount of \$10,080 to the Agnes Irwin School in order to pay the tuition and related expenses of one of defendant BERTRAM R. RUSSELL's children.

26. On or about July 26, 2002, at the direction of defendant BERNARD J. BAGDIS, the Personnel Department, Inc., an entity controlled by defendant BAGDIS, issued check number 623 from its account at Sovereign Bank in the approximate amount of \$12,961 to the Trustees of the University of Pennsylvania in order to pay the tuition and related expenses of one of defendant BERTRAM R. RUSSELL's children.

27. On or about September 13, 2002, in response to IRS audit and collection activity, defendant BERTRAM R. RUSSELL signed and filed a Form 1040, Individual Income Tax return for the year 2000, selecting the option of "married filing jointly," which falsely reported as income only the wages earned by defendant RUSSELL's spouse which the spouse's employer had reported to the IRS for that year and which falsely omitted all of the income earned by defendant RUSSELL during that year.

28. On or about February 7, 2003, defendant BERTRAM R. RUSSELL opened a money market bank account at Wachovia Bank in the name of High Pines, Ltd.

29. On or about February 7, 2003, defendant BERTRAM R. RUSSELL opened a money market bank account at Wachovia Bank in the name of Bertram R. Russell, M.D., P.C.

30. On or about February 7, 2003, defendant BERTRAM R. RUSSELL opened a money market bank account at Wachovia Bank in the name of Pennsylvania Physicians, P.C.

31. On or about September 1, 2003, defendant BERTRAM R. RUSSELL signed a \$900,000 mortgage document prepared by or at the direction of defendant BERNARD J. BAGDIS that was purportedly issued by MMT, a non-existent bank, for the purpose of creating the false appearance that defendant RUSSELL's Gladwyne, Pennsylvania home was heavily encumbered.

32. On or about December 23, 2003, at the direction of defendant BERNARD J. BAGDIS, the Personnel Department, Inc., an entity controlled by defendant BAGDIS, issued check number 1102 from its account at Sovereign Bank in the approximate amount of \$9,123 to the Trustees of the University of Pennsylvania in order to pay the tuition and related expenses of one of defendant BERTRAM R. RUSSELL's children.

33. On or about January 6, 2004, at the direction of defendant BERNARD J. BAGDIS, the Personnel Department, Inc., an entity controlled by defendant BAGDIS, issued check number 1107 from its account at Sovereign Bank in the approximate amount of \$19,500 to Cornell University in order to pay the tuition and related expenses of one of defendant BERTRAM R. RUSSELL's children.

34. On or about July 18, 2004, defendant BERTRAM R. RUSSELL transferred approximately \$75,553 from the bank account of Pennsylvania Physicians, P.C. to the Personnel Department, Inc. bank account controlled by defendant BERNARD J. BAGDIS at Sovereign Bank.

35. On or about July 22, 2004, at the direction of defendant BERNARD J. BAGDIS, the Personnel Department, Inc., an entity controlled by defendant BAGDIS, issued check number 1289 from its account at Sovereign Bank in the approximate amount of \$46,114.99 to the Hun School of Princeton in order to pay the tuition and related expenses of one of defendant BERTRAM R. RUSSELL's children.

36. On or about September 27, 2005, defendant BERTRAM R. RUSSELL issued check number 3288 from the Pennsylvania Physicians, P.C. checking account at Wachovia Bank in the approximate amount of \$55,000 to St. Louis Construction in order to pay for construction work that was being performed on a vacation property in the Adirondacks for the benefit of defendant RUSSELL and his wife.

37. On or about March 10, 2006, defendant BERTRAM R. RUSSELL issued check number 343 from the High Pines, Ltd. checking account at Wachovia Bank in the approximate amount of \$39,000 to St. Louis Construction in order to pay for construction work that was being performed on a vacation property in the Adirondacks for the benefit of defendant RUSSELL and his wife.

38. On or about August 4, 2006, defendant BERTRAM R. RUSSELL issued check number 3512 from the Pennsylvania Physicians, P.C. checking account at Wachovia Bank in the approximate amount of \$38,000 to the Hun School to pay for tuition and related expenses for one of defendant RUSSELL's children.

All in violation of Title 18, United States Code, Section 371.

COUNT THREE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-2 and 4-38 of Count Two are incorporated here.
2. During the years 1998 through 2006, defendant BERTRAM R. RUSSELL was a licensed physician who actively practiced medicine as a radiologist and who received substantial compensation for this work each year.
3. During the tax year 2000, defendant BERTRAM R. RUSSELL received approximately \$328,440 in compensation and other business-related income paid by Community Radiology Services to Pennsylvania Physicians, an entity controlled by defendant RUSSELL.
4. Defendant BERTRAM R. RUSSELL was required to report this income on federal income tax returns filed with the Internal Revenue Service.
5. From in or about 2000 through on or about September 13, 2002, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERTRAM R. RUSSELL,

a resident of Gladwyne, Pennsylvania, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2000 by failing to make an income tax return on or about April 16, 2001, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) Depositing approximately \$328,440 in compensation and other business-related income received during the calendar year 2000 from Community Radiology

Services into corporate bank accounts he controlled under the account names “Pennsylvania Physicians, P.C.,” “High Pines, Ltd.,” and “Bertram R. Russell, M.D., P.C.,” without ever reporting this amount as income to the IRS and without paying any federal income tax on this income;

(2) by using funds deposited into the corporate bank accounts described above to pay more than \$50,000 in personal expenses during the year 2000;

(3) by failing to file any federal income tax returns for the corporations that defendant BERTRAM R. RUSSELL controlled, and which he used to receive the income paid for his professional medical services, including “Pennsylvania Physicians, P.C.,” “High Pines, Ltd.,” “Bertram R. Russell, M.D., P.C.,” and “Russell Medical Associates;” and

(4) by signing and filing, on or about September 13, 2002, an Individual Income Tax Return, Form 1040, for 2000, that did not report any income attributable to defendant BERTRAM R. RUSSELL and which only reported income earned by his wife during the year, when in fact, as defendant RUSSELL well knew, these representations were false.

In violation of Title 26, United States Code, Section 7201.

COUNT FOUR

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-2 and 4-38 of Count Two are incorporated here.
2. During the years 1998 through 2006, defendant BERTRAM R. RUSSELL was a licensed physician who actively practiced medicine as a radiologist and who received substantial compensation for this work each year.
3. During the tax year 2001, defendant BERTRAM R. RUSSELL received approximately \$336,680 in compensation and other business-related income paid by Community Radiology Services to Pennsylvania Physicians, an entity controlled by defendant RUSSELL.
4. Defendant BERTRAM R. RUSSELL was required to report this income on federal income tax returns filed with the Internal Revenue Service.
5. From in or about 2001 through on or about April 15, 2002, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERTRAM R. RUSSELL,

a resident of Gladwyne, Pennsylvania, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2001 by failing to make an income tax return on or about April 15, 2002, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) Depositing approximately \$336,680 in compensation and other business-related income received during the calendar year 2001 from Community Radiology

Services into corporate bank accounts he controlled under the account names “Pennsylvania Physicians, P.C.,” “High Pines, Ltd.,” and “Bertram R. Russell, M.D., P.C.,” without ever reporting this amount as income to the IRS and without paying any federal income tax on this income;

(2) by using funds deposited into the corporate bank accounts described above to pay more than \$75,000 in personal expenses during the year 2001;

(3) by failing to file any federal income tax returns for the corporations that defendant BERTRAM R. RUSSELL controlled, and which he used to receive the income paid for his professional medical services, including “Pennsylvania Physicians, P.C.,” “High Pines, Ltd.,” “Bertram R. Russell, M.D., P.C.,” and “Russell Medical Associates;” and

(4) by failing to file a federal individual income tax return for the tax year 2001, failing to report any income for the tax year 2001, and by failing to pay any federal income taxes for the tax year 2001.

In violation of Title 26, United States Code, Section 7201.

COUNT FIVE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-2 and 4-38 of Count Two are incorporated here.
2. During the years 1998 through 2006, defendant BERTRAM R. RUSSELL was a licensed physician who actively practiced medicine as a radiologist and who received substantial compensation for this work each year.
3. During the tax year 2002, defendant BERTRAM R. RUSSELL received approximately \$305,820 in compensation and other business-related income paid by Community Radiology Services to Pennsylvania Physicians, an entity controlled by defendant RUSSELL.
4. Defendant BERTRAM R. RUSSELL was required to report this income on federal income tax returns filed with the Internal Revenue Service.
5. From in or about 2002 through on or about April 15, 2003, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERTRAM R. RUSSELL,

a resident of Gladwyne, Pennsylvania, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2002 by failing to make an income tax return on or about April 15, 2003, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) Depositing approximately \$305,820 in compensation and other business-related income received during the calendar year 2002 from Community Radiology

Services into corporate bank accounts he controlled under the account names “Pennsylvania Physicians, P.C.,” “High Pines, Ltd.,” and “Bertram R. Russell, M.D., P.C.,” without ever reporting this amount as income to the IRS and without paying any federal income tax on this income;

(2) by using funds deposited into the corporate bank accounts described above to pay more than \$75,000 in personal expenses during the year 2002;

(3) by failing to file any federal income tax returns for the corporations that defendant BERTRAM R. RUSSELL controlled, and which he used to receive the income paid for his professional medical services, including “Pennsylvania Physicians, P.C.,” “High Pines, Ltd.,” “Bertram R. Russell, M.D., P.C.,” and “Russell Medical Associates;” and

(4) by failing to file a federal individual income tax return for the tax year 2002, failing to report any income for the tax year 2002, and by failing to pay any federal income taxes for the tax year 2002.

In violation of Title 26, United States Code, Section 7201.

COUNT SIX

1. Paragraphs 1-2 and 4-38 of Count Two are incorporated here.
2. During the years 1998 through 2006, defendant BERTRAM R. RUSSELL was a licensed physician who actively practiced medicine as a radiologist and who received substantial compensation for this work each year.
3. During the tax year 2003, defendant BERTRAM R. RUSSELL received approximately \$339,680 in compensation and other business-related income paid by Community Radiology Services to Pennsylvania Physicians, an entity controlled by defendant RUSSELL.
4. Defendant BERTRAM R. RUSSELL was required to report this income on federal income tax returns filed with the Internal Revenue Service.
5. From in or about 2003 through on or about April 15, 2004, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERTRAM R. RUSSELL,

a resident of Gladwyne, Pennsylvania, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2003 by failing to make an income tax return on or about April 15, 2004, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) Depositing approximately \$339,680 in compensation and other business-related income received during the calendar year 2003 from Community Radiology Services into corporate bank accounts he controlled under the account names "Pennsylvania

Physicians, P.C.,” “High Pines, Ltd.,” and “Bertram R. Russell, M.D., P.C.,” without ever reporting this amount as income to the IRS and without paying any federal income tax on this income;

(2) by using funds deposited into the corporate bank accounts described above to pay more than \$75,000 in personal expenses during the year 2003;

(3) by failing to file any federal income tax returns for the corporations that defendant BERTRAM R. RUSSELL controlled, and which he used to receive the income paid for his professional medical services, including “Pennsylvania Physicians, P.C.,” “High Pines, Ltd.,” “Bertram R. Russell, M.D., P.C.,” and “Russell Medical Associates;” and

(4) by failing to file a federal individual income tax return for the tax year 2003, failing to report any income for the tax year 2003, and by failing to pay any federal income taxes for the tax year 2003.

In violation of Title 26, United States Code, Section 7201.

COUNT SEVEN

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-2 and 4-38 of Count Two are incorporated here.
2. During the years 1998 through 2006, defendant BERTRAM R. RUSSELL was a licensed physician who actively practiced medicine as a radiologist and who received substantial compensation for this work each year.
3. During the tax year 2004, defendant BERTRAM R. RUSSELL received approximately \$411,440 in compensation and other business-related income paid by Community Radiology Services to Pennsylvania Physicians, an entity controlled by defendant RUSSELL.
4. Defendant BERTRAM R. RUSSELL was required to report this income on federal income tax returns filed with the Internal Revenue Service.
5. From in or about 2004 through on or about April 15, 2005, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERTRAM R. RUSSELL,

a resident of Gladwyne, Pennsylvania, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2004 by failing to make an income tax return on or about April 15, 2005, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) Depositing approximately \$411,440 in compensation and other business-related income received during the calendar year 2004 from Community Radiology

Services into corporate bank accounts he controlled under the account names “Pennsylvania Physicians, P.C.,” “High Pines, Ltd.,” and “Bertram R. Russell, M.D., P.C.,” without ever reporting this amount as income to the IRS and without paying any federal income tax on this income;

(2) by using funds deposited into the corporate bank accounts described above to pay more than \$75,000 in personal expenses during the year 2004;

(3) by failing to file any federal income tax returns for the corporations that defendant BERTRAM R. RUSSELL controlled, and which he used to receive the income paid for his professional medical services, including “Pennsylvania Physicians, P.C.,” “High Pines, Ltd.,” “Bertram R. Russell, M.D., P.C.,” and “Russell Medical Associates;” and

(4) by failing to file a federal individual income tax return for the tax year 2004, failing to report any income for the tax year 2004, and by failing to pay any federal income taxes for the tax year 2004.

In violation of Title 26, United States Code, Section 7201.

COUNT EIGHT

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-2 and 4-38 of Count Two are incorporated here.
2. During the years 1998 though 2006, defendant BERTRAM R. RUSSELL was a licensed physician who actively practiced medicine as a radiologist and who received substantial compensation for this work each year.
3. During the tax year 2005, defendant BERTRAM R. RUSSELL received approximately \$371,438 in compensation and other business-related income paid by Community Radiology Services to Pennsylvania Physicians, an entity controlled by defendant RUSSELL.
4. Defendant BERTRAM R. RUSSELL was required to report this income on federal income tax returns filed with the Internal Revenue Service.
5. From in or about 2005 through on or about April 17, 2006, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERTRAM R. RUSSELL,

a resident of Gladwyne, Pennsylvania, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2005 by failing to make an income tax return on or about April 17, 2006, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) Depositing approximately \$371,438 in compensation and other business-related income received during the calendar year 2005 from Community Radiology

Services into corporate bank accounts he controlled under the account names “Pennsylvania Physicians, P.C.,” “High Pines, Ltd.,” and “Bertram R. Russell, M.D., P.C.,” without ever reporting this amount as income to the IRS and without paying any federal income tax on this income;

(2) by using funds deposited into the corporate bank accounts described above to pay more than \$75,000 in personal expenses during the year 2005;

(3) by failing to file any federal income tax returns for the corporations that defendant BERTRAM R. RUSSELL controlled, and which he used to receive the income paid for his professional medical services, including “Pennsylvania Physicians, P.C.,” “High Pines, Ltd.,” “Bertram R. Russell, M.D., P.C.,” and “Russell Medical Associates;” and

(4) by failing to file a federal individual income tax return for the tax year 2005, failing to report any income for the tax year 2005, and by failing to pay any federal income taxes for the tax year 2005.

In violation of Title 26, United States Code, Section 7201.

COUNT NINE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-2 and 4-38 of Count Two are incorporated here.
2. On or about September 13, 2002, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERTRAM R. RUSSELL

willfully made and subscribed a joint Individual Income Tax Return, Form 1040, for 2000, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Internal Revenue Service, which was false and fraudulent as to material matters, in that the return did not report any income attributable to defendant RUSSELL and only reported income earned by his wife during the year, when in fact, as defendant RUSSELL well knew, these representations were false, because defendant RUSSELL had substantial income that was not reported on this tax return as a result of payments of approximately \$328,440 made by Community Radiology Services to Pennsylvania Physicians, an entity controlled by defendant RUSSELL.

In violation of Title 26, United States Code, Section 7206(1).

COUNT TEN

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-2 and 4-38 of Count Two are incorporated here.
2. On or about September 13, 2002, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERNARD J. BAGDIS

willfully aided and assisted in, procured, counseled, and advised the preparation and presentation to the Internal Revenue Service, of a U.S. Individual Income Tax Return, Form 1040, of Bertram R. Russell and his spouse, for the calendar year 2000, which was false and fraudulent as to a material matter, in that the return reported no income attributable to Bertram R. Russell when in fact, as defendant BERNARD J. BAGDIS well knew, this omission was false and fraudulent, in that Russell had received substantial income during 2000 as a result of payments of approximately \$328,440 made by Community Radiology Services to Pennsylvania Physicians, an entity controlled by Russell.

In violation of Title 26, United States Code, Section 7206(2).

COUNTS ELEVEN TO SIXTEEN

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-2 and 4-38 of Count Two are incorporated here.
2. During the calendar years set forth below, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERTRAM R. RUSSELL,

a resident of Gladwyne, Pennsylvania, had and received gross income substantially in excess of the minimum filing requirements, as set forth below, and that by reason of such gross income he was required by law, following the close of each calendar year and on or before April 15 of the following year, to make an income tax return to the Director, Internal Revenue Service Center, at Philadelphia, Pennsylvania, or other proper officer of the United States, stating specifically the items of his gross income and any deductions and credits to which he was entitled; that knowing this, he willfully failed to make an income tax return to the Director of the Internal Revenue Service Center, or to any other proper officer of the United States:

<u>GROSS INCOME FILING REQUIREMENTS</u>			
<u>COUNT</u>	<u>YEAR</u>	<u>MARRIED-JOINT</u>	<u>MARRIED-SEPARATE</u>
11	2001	\$13,400	\$2,900
12	2002	\$13,850	\$3,000
13	2003	\$15,600	\$3,050
14	2004	\$15,900	\$3,100
15	2005	\$16,400	\$3,200
16	2006	\$16,900	\$3,300

All in violation of Title 26, United States Code, Section 7203.

COUNT SEVENTEEN

THE GRAND JURY FURTHER CHARGES THAT:

At all times relevant to this Superseding Indictment:

1. Paragraphs 1-9, 11-15 and 22-29 of Count One are incorporated here.
2. From on or about April 15, 1991 through on or about April 17, 2006, defendant JOHN P. LEICHNER did not file any federal individual income tax returns for the tax years 1990 through 2005.
3. During the years at least 1999 though 2005, defendant JOHN P. LEICHNER was a licensed physician who actively practiced medicine as a general and vascular surgeon, and who received substantial compensation for this work each year.

The Conspiracy

4. Between in or about January 1996 and continuing thereafter up to and including the date of this Superseding Indictment, in the Eastern District of Pennsylvania and elsewhere, defendants

**BERNARD J. BAGDIS and
JOHN P. LEICHNER**

conspired and agreed, together and with others known and unknown to the grand jury, to knowingly defraud the United States for the purpose of impeding, impairing, obstructing, and defeating the lawful government functions of the Internal Revenue Service of the Department of the Treasury in the ascertainment, computation, assessment, and collection of taxes, in violation of Title 18, United States Code, Section 371.

Manner and Means

It was part of the conspiracy that:

5. Beginning in or about 1996 or earlier, defendants JOHN P. LEICHNER and BERNARD J. BAGDIS agreed that, with the assistance of defendant BAGDIS, defendant LEICHNER would not report any of his income and other compensation from his medical practice and other sources to the Internal Revenue Service (“IRS”), or pay taxes on that income and other compensation.

6. With assistance from defendant BERNARD J. BAGDIS, defendant JOHN P. LEICHNER formed and maintained several corporations that he utilized to conceal his individual income and assets, and which did not file federal tax returns, including the following:

- Surging Skyward, Inc.
- John P. Leichner M.D. P.C.
- Pennsylvania Physicians, P.C.
- Dr. John P. Leichner P.C.

7. During the years 1999 through 2005, defendant JOHN P. LEICHNER earned approximately \$1,270,000 in gross income from his medical practice as a general and vascular surgeon, and from a withdrawal from an Individual Retirement Account (“IRA”).

8. With assistance from defendant BERNARD J. BAGDIS, defendant JOHN P. LEICHNER caused third-parties to report any compensation paid in connection with medical services performed by defendant LEICHNER to the IRS under an Employer Identification Number (“EIN”) of one of the corporations utilized by defendant LEICHNER, and not under the social security number of defendant LEICHNER.

9. Defendant JOHN P. LEICHNER opened and maintained bank accounts in the names and EINs of John P. Leichner M.D. P.C., Pennsylvania Physicians, P.C., and Dr. John P. Leichner P.C., which defendant LEICHNER used to receive income from his medical practice, and to pay personal and medical practice expenses.

10. Defendants BERNARD J. BAGDIS and JOHN P. LEICHNER attempted to obstruct and defeat an assessment and levy action by the IRS, begun in or about 2001 and pertaining to the 1999 individual income tax year of defendant LEICHNER, by the following means, among others:

- a. Creating two sub accounts at Madison Bank, held by the Administar Corporation, a company controlled by defendant BAGDIS, the purposes of which were to create bank accounts which would be difficult for the IRS to trace to defendant LEICHNER, to receive and conceal the unreported and untaxed income and assets of defendant LEICHNER, to conceal the expenditures made on behalf of defendant LEICHNER, and to protect assets of defendant LEICHNER from being levied by the IRS; and,
- b. preparing, but not filing, a false 1999 individual income tax return for defendant LEICHNER which did not disclose any of the medical income earned by defendant LEICHNER during 1999.

11. With assistance from defendant BERNARD J. BAGDIS, defendant JOHN P. LEICHNER withdrew approximately \$100,000 in untaxed funds from an individual retirement account (“IRA”), deposited the funds to a bank account controlled by defendant BAGDIS and held in the name of Chronos Inc., a company controlled by defendant BAGDIS, prevented any

withholding of taxes from the funds, and then used the funds to pay for the acquisition of a vacation property in Currituck County, North Carolina.

12. Defendant JOHN P. LEICHNER maintained significant personal and marital assets the name of a nominee entity, Surging Skyward, Inc. (“Surging Skyward”), an entity incorporated in Delaware and controlled by defendant LEICHNER, with assistance from defendant BERNARD J. BAGDIS, including a 1975 Piper PA-23-250 airplane, a 2001 gold Lexus RX 300 automobile, a 1995 Mercedes Benz S420 automobile, and a 1982 Ferrari automobile.

13. With assistance from defendant BERNARD J. BAGDIS, defendant JOHN P. LEICHNER maintained two corporate American Express cards in the nominee name of Surging Skyward, which defendant LEICHNER used to make approximately \$21,621 in personal charges between in or about 1999 and in or about 2004.

14. With assistance from defendant BERNARD J. BAGDIS, defendant JOHN P. LEICHNER created and maintained The Leichner Family Trust and The Currituck Trust, the purpose of which in part was to serve as entities which would not file tax returns, and which could hold assets without those assets being associated with the social security number of defendant LEICHNER, including the following real estate:

- a. A rental home located at or about 508 Magnolia Way, Corolla, North Carolina, bought on or about May 30, 1997 for a purchase price of approximately \$343,055;

- b. a vacation home located at or about 714 Mainsail Arch, Corolla, North Carolina, bought and constructed from in or about December 1998 through in or about February 2000 for a purchase price of approximately \$430,000;
- c. a rental home located at or about 526 Meadow Lane, Corolla, North Carolina, bought on or about January 8, 1999 for a purchase price of approximately \$349,000;
- d. a rental home located at or about 747 Hammock Lane, Corolla, North Carolina, bought on or about March 8, 2002 for a purchase price of approximately \$537,000; and
- e. a rental home located at or about 764 Myrtle Court, Corolla, North Carolina, bought on or about October 14, 2005 for a purchase price of approximately \$865,000.

15. Defendant JOHN P. LEICHNER failed to file any federal tax returns during the years 1999 through 2005 for the corporations that defendant LEICHNER controlled, and which he used to receive income earned through his medical practice, including “Pennsylvania Physicians, P.C.,” “John P. Leichner, M.D. P.C.,” and “Dr. John P. Leichner, P.C.”

16. Defendant JOHN P. LEICHNER failed to file any individual federal income tax returns during the years 1999 through 2005, failed to report any income, and failed to pay any federal income taxes during all of those years.

Overt Acts

In furtherance of the conspiracy, defendants BERNARD J. BAGDIS and JOHN P. LEICHNER, and others known and unknown to the grand jury, committed the following overt acts in the Eastern District of Pennsylvania, and elsewhere:

17. On or about January 11, 1996, defendants BERNARD J. BAGDIS and JOHN P. LEICHNER, along with Bertram R. Russell, charged elsewhere in this Superseding Indictment, created and incorporated Pennsylvania Physicians, P.C.

18. In or about 1996, defendant JOHN P. LEICHNER opened a bank account at Commonwealth Bank, now Citizens Bank, in the name of Pennsylvania Physicians, P.C.

19. On or about January 15, 1997, defendant BERNARD J. BAGDIS created The Leichner Family Trust.

20. In or about April 1997, defendant BERNARD J. BAGDIS opened and caused to be opened a bank account at Commerce Bank in the name of The Leichner Family Trust, to be used for the purchase and maintenance of rental and vacation homes located at or about 508 Magnolia Way, Corolla, North Carolina; 526 Meadow Lane, Corolla, North Carolina; and 714 Mainsail Arch, Corolla, North Carolina.

21. On or about April 30, 1997, defendant JOHN P. LEICHNER made the initial deposit into the Commerce Bank account held in the name of The Leichner Family Trust by writing a check in the approximate amount of \$55,000 from the Commonwealth Bank account held in the name of Pennsylvania Physicians, P.C.

22. In or about March 4, 1999, defendant JOHN P. LEICHNER transferred approximately \$100,000 in untaxed funds from an individual retirement account ("IRA") held at

Western Reserve Life Assurance Company to a bank account controlled by defendant BERNARD J. BAGDIS, through a check made payable to “Chronos Incorporated,” a company controlled by defendant BAGDIS, without any taxes withheld from the transferred funds.

23. On or about April 7, 1999, at the direction of defendant BERNARD J. BAGDIS, Chronos Inc., an entity controlled by defendant BAGDIS, issued check number 19562 from its disbursement account in the approximate amount of \$36,000 to Renaissance Construction Co. in order to pay for the acquisition of the vacation home located at or about 714 Mainsail Arch, Corolla, North Carolina.

24. On or about May 11, 1999, at the direction of defendant BERNARD J. BAGDIS, Chronos Inc., an entity controlled by defendant BAGDIS, issued check number 19567 from its disbursement account in the approximate amount of \$87,600 to Renaissance Construction Co. in order to pay for the acquisition of the vacation home located at or about 714 Mainsail Arch, Corolla, North Carolina.

25. On or about September 6, 1999, defendant JOHN P. LEICHNER signed check number 175, made payable to Renaissance Construction Co. in the approximate amount of \$18,000, from the Commonwealth Bank account in the name of Pennsylvania Physicians, P.C., in order to pay for the acquisition of the vacation home located at or about 714 Mainsail Arch, Corolla, North Carolina.

26. On or about February 20, 2001, defendants BERNARD J. BAGDIS and JOHN P. LEICHNER created and incorporated Dr. John P. Leichner P.C.

27. On or about September 7, 2001, defendant BERNARD J. BAGDIS, in response to a proposed individual income tax assessment by the IRS for defendant JOHN P.

LEICHNER for the 1999 tax year, falsely stated in a letter sent to the IRS that none of the transactions identified by the IRS in its proposed assessment represented the gross income of defendant LEICHNER, and requested the IRS to explain how it had arrived at the income figure in its assessment.

28. On or about February 5, 2002, defendant BERNARD J. BAGDIS created The Currituck Trust.

29. On or about April 21, 2002, defendant JOHN P. LEICHNER opened a bank account at Commerce Bank in the name of Dr. John P. Leichner P.C.

30. On or about May 24, 2002, defendant JOHN P. LEICHNER caused the purchase of a 2001 gold Lexus RX 300 automobile for approximately \$34,000, in the nominee name of Surging Skyward.

31. In or about April and May 2004, defendant JOHN P. LEICHNER cashed and caused to be cashed at a check cashing establishment approximately three checks worth an approximate total of \$4,157, which defendant LEICHNER had received as compensation earned through his medical practice.

32. On or about May 5, 2004, defendants BERNARD J. BAGDIS and JOHN P. LEICHNER opened and caused to be opened a sub account at Madison Bank, account number xxxxx9552,³ held by the Administar Corporation.

³ Consistent with the local rules of court, the first five digits of the account number are designated by an x instead of the actual number to preserve the confidentiality of this information.

33. On or about May 11, 2004, defendants BERNARD J. BAGDIS and JOHN P. LEICHNER opened and caused to be opened a second sub account at Madison Bank, account number xxxxx0732, held by the Administar Corporation.

34. On or about May 11, 2004, defendant JOHN P. LEICHNER deposited and caused to be deposited approximately \$55,000 into Madison Bank sub account number xxxxx0732, held in the name of Administar, by writing a check in the approximate amount of \$55,000 from the Citizens Bank account held in the name of Pennsylvania Physicians, P.C.

35. On or about August 24, 2004, at the direction of defendants BERNARD J. BAGDIS and JOHN P. LEICHNER, the Administar Corporation, an entity controlled by defendant BAGDIS, issued a Madison Bank check in the approximate amount \$4,600, drawn from funds transferred from Madison Bank sub account number xxxxx9552, in order to pay a Sunoco Mastercard used by the spouse of defendant LEICHNER to make personal expenditures.

36. In or about September 2004, defendant JOHN P. LEICHNER directed one of his employers, Employer No. 1, which had received a notice of levy from the IRS in regards to compensation paid to defendant LEICHNER, to cease issuing checks made out in the name of defendant LEICHNER, and to cease filing Forms 1099 with the IRS under the social security number of LEICHNER, and instead to make out all subsequent checks for compensation for work performed by defendant LEICHNER in the name of "Pennsylvania Physicians P.C."

37. On or about March 25, 2005, defendant JOHN P. LEICHNER purchased in the nominee name of Surging Skyward a 1995 Mercedes Benz S420 automobile for approximately \$17,000, by paying approximately \$8,000 in currency and \$9,000 in a bank check.

38. On or about April 22, 2005, defendant BERNARD J. BAGDIS, for the purposes of maintaining a loan from Towne Bank to The Currituck Trust, represented to Towne Bank that The Currituck Trust had a net worth of approximately \$3,320,000, and an annual income of approximately \$69,300, based primarily upon its possession and use of the properties located at or about 508 Magnolia Way, 526 Meadow Lane, 714 Mainsail Arch, and 747 Hammock Lane, all in Corolla, North Carolina.

39. On or about November 16, 2005, defendants BERNARD J. BAGDIS and JOHN P. LEICHTNER caused a check in the approximate amount of \$589,975, obtained through the sale of the property at 526 Meadow Lane, Corolla, North Carolina, to be used to pay down a mortgage held at Towne Bank by the Currituck Trust for the property at 764 Myrtle Court, Corolla, North Carolina.

40. On or about December 21, 2005, defendants BERNARD J. BAGDIS and JOHN P. LEICHTNER caused Madison Bank sub account numbers xxxxx0732 and xxxxx9552 to obtain a zero balance by transferring from the sub accounts an approximate total of \$9,790 to a Madison Bank account held in the name of Administar Corporation.

All in violation of Title 18, United States Code, Section 371.

COUNT EIGHTEEN

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-3 and 5-40 of Count 17 are incorporated here.
2. During the tax year 1999, defendant JOHN P. LEICHNER earned approximately \$232,000 in gross income, consisting of compensation earned through his medical practice as a general and vascular surgeon, and from a withdrawal from an Individual Retirement Account (“IRA”). As a result, defendant LEICHNER had an individual income tax due and owing of at least approximately \$61,000.
3. Defendant JOHN P. LEICHNER was required to report this income on a federal income tax return filed with the Internal Revenue Service (“IRS”) for the 1999 tax year.
4. On or about July 30, 2001, the IRS notified defendant JOHN P. LEICHNER that it had performed an individual income tax assessment regarding defendant LEICHNER for the 1999 tax year (“assessment”), and that it had found a substantial tax due and owing. The IRS subsequently sent additional notifications to defendant LEICHNER regarding the assessment, which exceeded \$134,000 in individual income tax due and owing without regard to any penalties or interest.
5. The IRS was able to base its assessment only upon income reported by third-parties to the IRS under the social security number of defendant JOHN P. LEICHNER, and therefore did not include in its assessment the additional income paid during 1999 by third-parties to the corporations used by defendant LEICHNER to receive the income for his medical services, including John P. Leichner M.D. P.C. and Pennsylvania Physicians P.C., each of which had its own unique EIN.

6. As a result of the IRS assessment determination, the IRS attempted to place levies on the assets and income of defendant JOHN P. LEICHNER by issuing notices to banks and at least one employer known to the IRS, Employer No. 1, and sent written notices of its levies, and of its intention to place levies, to defendant LEICHNER, including on or about December 1, 2003, February 2, 2004, April 13, 2004, May 13, 2004, June 30, 2004, and August 30, 2004.

7. From in or about 1999 through on or about December 21, 2005, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOHN P. LEICHNER,

a resident of Rydal, Pennsylvania and Newtown, Pennsylvania, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 1999 by failing to make an income tax return on or about April 17, 2000, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

(1) by transferring in or about March 1999 approximately \$100,000 in untaxed funds to a bank account controlled by Bernard J. Bagdis, charged elsewhere in this Superseding Indictment, from an IRA held at Western Reserve Life Assurance Company, through a check made payable to “Chronos Incorporated,” a company controlled by Bagdis, without withholding any taxes from the transferred funds, and then using those funds to pay for

the purchase of a vacation property located at or about 714 Mainsail Arch, Corolla, North Carolina;

(2) by possessing significant assets during the calendar years 1999 through 2005, including a 1975 Piper PA-23-250 airplane, in the name of a nominee entity, Surging Skyward, Inc. (“Surging Skyward”), an entity incorporated in Delaware and controlled by defendant LEICHNER;

(3) by possessing significant assets during the calendar years 1999 through 2005, including the properties located at 508 Magnolia Way, Corolla, North Carolina; 526 Meadow Lane, Corolla, North Carolina; 714 Mainsail Arch, Corolla, North Carolina; 747 Hammock Lane, Corolla, North Carolina; and 764 Myrtle Court, Corolla, North Carolina, in the names of The Leichner Family Trust and The Currituck Trust, entities which did not file federal tax returns, and which were controlled by defendant LEICHNER and Bernard J. Bagdis, charged elsewhere in this Superseding Indictment;

(4) by making and causing to be made approximately \$21,621 in personal charges during the calendar years 1999 through 2004 through two American Express cards held in the nominee name of Surging Skyward;

(5) by maintaining and controlling corporations during the calendar years 1999 through 2005, including “Pennsylvania Physicians, P.C.,” “John P. Leichner, M.D. P.C.,” and “Dr. John P. Leichner, P.C.,” the purpose of which was to receive income earned by defendant LEICHNER as a result of his medical services, so that any compensation paid by a third party in return for medical services performed by defendant LEICHNER would be reported

by the third party to the IRS under the EIN of the corporation, and not under the social security number of defendant LEICHNER;

(6) by depositing and causing to be deposited during the calendar year 1999 approximately \$267,000 into bank accounts held under the names and EINs of Pennsylvania Physicians, P.C. and John P. Leichner M.D. P.C., without ever reporting any of these funds as income to the IRS;

(7) by failing to file a federal individual income tax return for the tax year 1999, failing to report any income for the tax year 1999, and by failing to pay any federal income taxes for the tax year 1999;

(8) by failing to file any federal tax returns for the corporations that defendant LEICHNER controlled, and which he used to receive income earned through his medical practice, including “Pennsylvania Physicians, P.C.,” “John P. Leichner, M.D. P.C.,” and “Dr. John P. Leichner, P.C.,”

(9) by purchasing and causing to be purchased on or about May 24, 2002 a 2001 gold Lexus RX 300 automobile for approximately \$34,000, which was bought and then possessed in the nominee name of Surging Skyward;

(10) by opening and causing to be opened in or about May 2004 two sub accounts at Madison Bank, held by the Administar Corporation, the purpose of which was to create bank accounts which would be difficult for the IRS to trace to defendant LEICHNER, which could receive and conceal the unreported and untaxed income and assets of defendant LEICHNER, which could conceal expenditures made on behalf of defendant LEICHNER, and

which could protect the assets of defendant LEICHNER from being levied by the IRS as a result of the 1999 tax year assessment;

(11) by depositing during the calendar years 2004 and 2005 an approximate total of \$184,126 in income and assets into the sub accounts at Madison Bank, held by the Administar Corporation, without ever reporting any of these funds as income to the IRS, and by making and causing to be made an approximate total of \$185,649 in personal and medical practice expenditures during the calendar years 2004 and 2005 from funds held in these sub accounts;

(12) by directing in or about September 2004 one of his employers, Employer No. 1, which had issued a Form 1099 to the IRS under the social security number of defendant LEICHNER for income paid to defendant LEICHNER during the 2003 tax year, and which had received from the IRS a notice of intent to levy wages, salary, and other income of defendant LEICHNER, to cease issuing checks made out in the name of defendant LEICHNER, and to cease filing Forms 1099 with the IRS under the social security number of LEICHNER, and instead to make out all subsequent checks for compensation for work performed by defendant LEICHNER in the name of "Pennsylvania Physicians P.C.;" and

(13) by purchasing, on or about March 25, 2005, a 1995 Mercedes Benz S420 automobile for approximately \$17,000, by paying for the purchase with approximately \$8,000 in currency and \$9,000 in a bank check, and by causing title to the vehicle to be issued in the nominee name of Surging Skyward.

In violation of Title 26, United States Code, Section 7201.

COUNT NINETEEN

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-3 and 5-40 of Count 17 are incorporated here.
2. During the tax year 2004, defendant JOHN P. LEICHNER earned approximately \$227,000 in gross income, consisting of compensation earned through his medical practice as a general surgeon, and as a result had an individual income tax due and owing of approximately \$53,000.
3. Defendant JOHN P. LEICHNER was required to report this income on a federal income tax return filed with the Internal Revenue Service ("IRS") for the 2004 tax year.
4. From in or about 2004 through on or about April 15, 2005, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOHN P. LEICHNER,

a resident of Newtown, Pennsylvania, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2004 by failing to make an income tax return on or about April 15, 2005, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) By opening and causing to be opened in or about May 2004 two sub accounts at Madison Bank, held by the Administar Corporation, the purpose of which was to create bank accounts which would be difficult for the IRS to trace to defendant LEICHNER, and

which could receive and conceal the unreported and untaxed income and assets of defendant LEICHNER, and which could conceal expenditures made on behalf of defendant LEICHNER;

(2) by depositing in 2004 an approximate total of \$176,491 in income and assets into the two sub accounts at Madison Bank, held by the Administar Corporation, without ever reporting any of these funds as income to the IRS, and by making and causing to be made in 2004 an approximate total of \$130,859 in personal and medical practice expenditures through funds held at these sub bank accounts;

(3) by cashing approximately three checks worth an approximate total of \$4,157 from in or about April through May 2004 at a check cashing establishment, and which defendant LEICHNER had received as compensation earned through his medical practice;

(4) by making and causing to be made approximately \$2,149 in personal expenditures during the calendar year 2004 through two American Express cards held in the name of a nominee entity, Surging Skyward, Inc. (“Surging Skyward”), an entity incorporated in Delaware and controlled by defendant LEICHNER;

(5) by maintaining and controlling corporations during the calendar year 2004, including “Pennsylvania Physicians, P.C.” and “John P. Leichner, M.D. P.C.,” the purpose of which was to receive income earned by defendant LEICHNER as a result of his medical services, so that any compensation paid by a third party in return for medical services performed by defendant LEICHNER would be reported by the third party to the IRS under the EIN of the corporation, and not under the social security number of defendant LEICHNER;

(6) by directing in or about September 2004 one of his employers, Employer No. 1, which had issued in 2004 a Form 1099 to the IRS under the social security

number of defendant JOHN P. LEICHNER for income paid to defendant LEICHNER during the 2003 tax year, to cease issuing checks made out in the name of defendant LEICHNER, to cease filing Forms 1099 with the IRS under the social security number of LEICHNER, and instead to make out all subsequent checks for compensation for work performed by defendant LEICHNER in the name of “Pennsylvania Physicians P.C.;

(7) by depositing during the calendar year 2004 an approximate total of \$77,000 into bank accounts held under the names and EINs of Pennsylvania Physicians, P.C. (at Citizens Bank) and Dr. John P. Leichner P.C. (at Commerce Bank), without ever reporting any of these funds as income to the IRS;

(8) by failing to file any federal income tax returns for the corporations that defendant LEICHNER controlled, and which he used to receive income earned through his medical practice, including “Pennsylvania Physicians, P.C.” and “John P. Leichner, M.D. P.C.;

(9) by failing to file a federal individual income tax return for the tax year 2004, failing to report any income for the tax year 2004, and by failing to pay any federal income taxes for the tax year 2004.

In violation of Title 26, United States Code, Section 7201.

COUNT TWENTY

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-3 and 5-40 of Count 17 are incorporated here.
2. During the tax year 2005, defendant JOHN P. LEICHNER earned approximately \$122,000 in gross income, consisting of compensation earned through his medical practice as a general surgeon, and as a result, had an individual income tax due and owing to the Internal Revenue Service.
3. Defendant JOHN P. LEICHNER was required to report this income on a federal income tax return filed with the Internal Revenue Service ("IRS") for the 2005 tax year.
4. From in or about 2005 through on or about April 17, 2006, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOHN P. LEICHNER,

a resident of Newtown, Pennsylvania, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2005 by failing to make an income tax return on or about April 17, 2006, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) By depositing in 2005 an approximate total of \$7,634 in income and assets into two sub accounts at Madison Bank, held by the Administar Corporation, without ever reporting any of these funds as income to the IRS, and by making and causing to be made in

2005 an approximate total of \$54,790 in personal and medical practice expenditures through funds held at these two sub accounts;

(2) by purchasing, on or about March 25, 2005, a 1995 Mercedes Benz S420 automobile for approximately \$17,000, by paying for the purchase with approximately \$8,000 in currency and \$9,000 in a bank check, and by causing title to the vehicle to be issued in the nominee name of Surging Skyward, an entity incorporated in Delaware and controlled by defendant JOHN P. LEICHNER;

(3) by maintaining and controlling corporations during the calendar year 2005, including “Pennsylvania Physicians, P.C.,” “John P. Leichner, M.D. P.C.,” and “Dr. John P. Leichner, P.C.,” the purpose of which was to receive income earned by defendant JOHN P. LEICHNER as a result of his medical services, so that any compensation paid by a third party in return for medical services performed by defendant LEICHNER would be reported by the third party to the IRS under the EIN of the corporation, and not under the social security number of defendant LEICHNER;

(4) by depositing during the calendar year 2005 an approximate total of \$55,000 into the bank account held under the name and EIN of Pennsylvania Physicians, P.C. (at Citizens Bank), without ever reporting any of these funds as income to the IRS;

(5) by failing to file any federal income tax returns for the corporations that defendant JOHN P. LEICHNER controlled, and which he used to receive income received through his medical practice, including “Pennsylvania Physicians, P.C.,” “John P. Leichner, M.D. P.C.,” and “Dr. John P. Leichner, P.C.,” and

(6) by failing to file a federal individual income tax return for the tax year 2005, failing to report any income for the tax year 2005, and by failing to pay any federal income taxes for the tax year 2005.

In violation of Title 26, United States Code, Section 7201.

COUNTS TWENTY-ONE TO TWENTY-FIVE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-3 and 5-40 of Count 17 are incorporated here.
2. During the calendar years set forth below, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOHN P. LEICHNER,

a resident of Rydal, Pennsylvania, and Newtown, Pennsylvania, had and received gross income substantially in excess of the minimum filing requirement, as set forth below, and that by reason of such gross income he was required by law, following the close of each calendar year and on or before April 15 of the following year, to make an income tax return to the Director, Internal Revenue Service Center, at Philadelphia, Pennsylvania, or other proper officer of the United States, stating specifically the items of his gross income and any deductions and credits to which he was entitled; that knowing this, he willfully failed to make an income tax return to the Director of the Internal Revenue Service Center, or to any other proper officer of the United States:

<u>COUNT</u>	<u>YEAR</u>	<u>GROSS INCOME FILING REQUIREMENT</u>
21	2001	\$2,900
22	2002	\$3,000
23	2003	\$3,050
24	2004	\$3,100
25	2005	\$3,200

All in violation of Title 26, United States Code, Section 7203.

COUNT TWENTY-SIX

THE GRAND JURY FURTHER CHARGES THAT:

At all times relevant to this Superseding Indictment:

1. Paragraphs 1-9, 11-15 and 30-34 of Count One are incorporated here.

The Conspiracy

2. From in or about 1997, and continuing thereafter up to and including the date of this Superseding Indictment, in the Eastern District of Pennsylvania and elsewhere, defendants

**BERNARD J. BAGDIS and
RICHARD J. FRASE**

conspired and agreed, together and with others known and unknown to the grand jury, to knowingly defraud the United States for the purpose of impeding, impairing, obstructing, and defeating the lawful government functions of the Internal Revenue Service of the Department of the Treasury in the ascertainment, computation, assessment, and collection of taxes, in violation of Title 18, United States Code, Section 371.

Manner and Means

It was part of the conspiracy that:

3. Defendants BERNARD J. BAGDIS and RICHARD J. FRASE created a shell corporation, GT Technical Services, Inc. ("GTTS"), to receive defendant FRASE's income from TAC Automotive Group ("TAC").

4. Defendants BERNARD J. BAGDIS and RICHARD J. FRASE caused the income of defendant FRASE to be paid to The Personnel Department, Inc., an entity controlled by defendant BAGDIS.

5. Defendants BERNARD J. BAGDIS and RICHARD J. FRASE concealed the true income of defendant FRASE from the IRS by causing it to be deposited into accounts controlled by defendant BAGDIS at Commerce Bank, Madison Bank, Sovereign Bank and Wachovia Bank, and then into an account in the name of GTTS at Wachovia Bank, from which defendant FRASE paid his personal expenses.

6. Defendant BERNARD J. BAGDIS caused the Personnel Department, Inc., to provide each year to defendant RICHARD J. FRASE a Form W-2 which falsely reported that defendant FRASE had made between \$5,500 and \$6,000 per year in wages and salary.

7. In response to correspondence from the IRS, defendant BERNARD J. BAGDIS assisted defendant RICHARD J. FRASE in filing false individual income tax returns for the years 1998, 1999, and 2000, which substantially under-reported the true income of defendant FRASE.

Overt Acts

In furtherance of the conspiracy, defendants BERNARD J. BAGDIS and RICHARD J. FRASE, and others known and unknown to the grand jury, committed the following overt acts in the Eastern District of Pennsylvania, and elsewhere:

8. In or about November 1997, BERNARD J. BAGDIS and RICHARD J. FRASE formed GTTS to receive the compensation paid to defendant FRASE from TAC.

9. In or about November 1997, using the fictitious identity of Richard K. Brandon as president of GTTS on an IRS Form SS-4 application, defendant RICHARD J. FRASE requested that the IRS issue an Employer Identification Number for GTTS.

10. In or about late 1997, defendant RICHARD J. FRASE attempted to persuade TAC to hire GTTS, rather than defendant FRASE personally.

11. When TAC refused to pay GTTS, defendant RICHARD J. FRASE persuaded TAC to pay his salary to The Personnel Department, Inc., an employee leasing service owned and operated by defendant BERNARD J. BAGDIS.

12. For the calendar years 1998 through 2006, RICHARD J. FRASE received an approximate total of \$1,388,314 from TAC, paid to him through the Personnel Department, Inc.

13. The Personnel Department, Inc. paid RICHARD J. FRASE approximately \$500 per month by check.

14. Defendants BERNARD J. BAGDIS and RICHARD J. FRASE directed that the remainder of defendant FRASE's income go into bank accounts in the name of Administar at Commerce Bank and Madison Bank, and ultimately to a GTTS bank account at Wachovia Bank, from which defendant FRASE used funds to pay his personal expenses.

15. Defendants BERNARD J. BAGDIS and RICHARD J. FRASE caused The Personnel Department, Inc. to issue to defendant FRASE a Form W-2 showing only \$6,000 of income for the years 1998 to 2002, only \$5,500 of income for the year 2003, and only \$6,000 for the years 2004 to 2006, which amounts were below the minimum amount of gross income that would require a single individual below the age of 65 to file a personal income tax return.

16. Defendant RICHARD J. FRASE did not timely file personal federal income tax returns for the tax years 1998 through 2006.

17. On or about February 12, 2002, defendant BERNARD J. BAGDIS caused Michael S. Klein, charged elsewhere in this Superseding Indictment, to write a letter to the IRS, copying defendant RICHARD J. FRASE, to request information from the IRS to determine the amounts that third parties had reported to the IRS as paid to and from defendant FRASE for the years 1995 through 1999.

18. In response to a June 2002 notice of deficiency issued by the IRS for the tax years 1998 and 1999 to defendant RICHARD J. FRASE, defendants BERNARD J. BAGDIS and FRASE caused Michael Klein, charged elsewhere in this Superseding Indictment, to prepare tax returns for the years 1998, 1999, and 2000, which failed to report defendant FRASE's true income.

19. On or about February 19, 2003, defendant RICHARD J. FRASE filed a 1998 tax return in which he reported \$6,000 of income from the Personnel Department, Inc., an IRA distribution, his pension from the Army, and a loss from rental property which he owned. Defendant FRASE did not report the remaining approximately \$157,382.50 that he had received from TAC.

20. On or about February 19, 2003, defendant RICHARD J. FRASE filed a 1999 tax return in which he reported \$6,000 of income from the Personnel Department, Inc., his pension from the Army, and a loss from rental property he owned. Defendant FRASE did not report the remaining approximately \$140,055 which he had received from TAC.

21. On or about February 19, 2003, defendant RICHARD J. FRASE filed a 2000 tax return in which he reported \$6,000 of income from the Personnel Department, Inc., his

pension from the Army, and loss from rental property he owned. Defendant FRASE did not report the remaining approximately \$179,640 which he had received from TAC.

22. On or about October 22 and October 29, 2007, defendant RICHARD J. FRASE filed corporate income tax returns for the years 1998 to 2006 for GTTS. These returns claimed that FRASE's personal wages from TAC were gross receipts of GTTS, not income to FRASE. These corporate tax returns did not report any compensation to officers or salaries for employees.

23. On or about October 24, 2007, defendant RICHARD J. FRASE filed a personal income tax return for the year 2001 in which he reported \$6,000 of income from the Personnel Department, Inc., his pension from the Army, \$50 in interest income, and a loss from rental property he owned. Defendant FRASE did not report the remaining approximately \$176,490 which he had received from TAC.

24. On or about October 24, 2007, defendant RICHARD J. FRASE filed a personal income tax return for the year 2002 in which he reported \$6,000 of income from the Personnel Department, Inc., his pension from the Army, \$50 in interest income, and a loss from rental property he owned. Defendant FRASE did not report the remaining approximately \$172,030 which he had received from TAC.

25. On or about October 24, 2007, defendant RICHARD J. FRASE filed a personal income tax return for the year 2003 in which he reported \$6,000 of income from the Personnel Department, Inc., his pension from the Army, \$50 in interest income, and a loss from rental property he owned. Defendant FRASE did not report the remaining approximately \$145,647.50 which he had received from TAC.

26. On or about October 24, 2007, defendant RICHARD J. FRASE filed a personal income tax return for the year 2004 in which he reported \$6,000 of income from the Personnel Department, Inc., his pension from the Army, and \$50 in interest income. Defendant FRASE did not report the remaining approximately \$122,940 which he had received from TAC.

27. On or about October 24, 2007, defendant RICHARD J. FRASE filed a personal income tax return for the year 2005 in which he reported \$6,000 of income from the Personnel Department, Inc., his pension from the Army, and \$71 in interest income. Defendant FRASE did not report the remaining approximately \$124,480 which he had received from TAC.

28. On or about October 24, 2007, defendant RICHARD J. FRASE filed a personal income tax return for the year 2006 in which he reported \$6,000 of income from the Personnel Department, Inc., his pension from the Army, \$114 in interest income, and a loss from rental property that he owned. Defendant FRASE did not report the remaining approximately \$116,150 which he had received from TAC.

_____ All in violation of Title 18, United States Code, Section 371.

COUNT TWENTY-SEVEN

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 and 3-28 of Count 26 are incorporated here.
2. During the calendar year 1998, defendant RICHARD J. FRASE received approximately \$163,382.50 from TAC.
3. Defendant RICHARD J. FRASE was required to report this income on federal income tax returns filed with the Internal Revenue Service each year.
4. Defendant RICHARD J. FRASE failed to timely file a federal income tax return for the year 1998.
5. From on or about January 1, 1998, through on or about October 22, 2007, in the Eastern District of Pennsylvania, and elsewhere, defendant

RICHARD J. FRASE,

a resident of Auburn Hills, Michigan and Schoharie, New York, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 1998 by failing to make an income tax return on or about April 15, 1999, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) By causing his salary from TAC to be paid to The Personnel Department, Inc., which, in turn, paid him directly only \$6,000;

(2) by causing The Personnel Department, Inc. to issue a Form W-2 for the year 1998 falsely reporting that defendant RICHARD J. FRASE had received only \$6,000 from TAC during calendar year 1998;

(3) by using a shell corporation, GTTS, the sole purpose of which was to conceal the salary and related income that defendant RICHARD J. FRASE received from TAC Automotive, and which identified a fictional person as a corporate officer;

(4) by opening a GTTS corporate bank account at Wachovia Bank, the purpose of which was to receive the unreported and untaxed income from TAC that flowed through the Personnel Department, Inc., and an account at Commerce Bank in the name of Administar, Inc.;

(5) by filing on or about October 22, 2007, a 1998 Form 1120 corporate income tax return for GTTS that falsely reported income received by RICHARD J. FRASE from TAC as gross receipts of GTTS; and

(6) by filing on or about February 19, 2003 a false 1998 Form 1040 individual income tax return that willfully failed to report the income received by defendant RICHARD J. FRASE from TAC.

In violation of Title 26, United States Code, Section 7201.

COUNT TWENTY-EIGHT

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 and 3-28 of Count 26 are incorporated here.
2. During tax year 1999, defendant RICHARD J. FRASE received approximately \$146,055 from TAC.
3. Defendant RICHARD J. FRASE was required to report this income on federal income tax returns filed with the Internal Revenue Service each year.
4. Defendant RICHARD J. FRASE failed to timely file a federal income tax return for tax year 1999.
5. From on or about January 1, 1999, through on or about October 22, 2007, in the Eastern District of Pennsylvania, and elsewhere, defendant

RICHARD J. FRASE,

a resident of Auburn Hills, Michigan and Schoharie, New York, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 1999 by failing to make an income tax return on or about April 17, 2000, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) By causing his salary from TAC paid to be paid to The Personnel Department, Inc., which, in turn, paid him directly only \$6,000;

(2) by causing The Personnel Department, Inc. to issue a Form W-2 for the year 1999 falsely reporting that defendant RICHARD J. FRASE received only \$6,000 from TAC during calendar year 1999;

(3) by utilizing a shell corporation, GTTS, the sole purpose of which was to conceal defendant RICHARD J. FRASE's salary and related income from TAC and which identified a fictional person as a corporate officer;

(4) by utilizing a GTTS corporate bank account at Wachovia Bank, the purpose of which was to receive unreported and untaxed income from TAC that went through the Personnel Department, Inc., and an account at Commerce Bank in the name of Administar, Inc.;

(5) by filing on or about October 22, 2007, a 1999 Form 1120 corporate income tax return for GTTS that falsely reported income received by RICHARD J. FRASE from TAC as gross receipts of GTTS; and

(6) by filing on or about February 19, 2003 a false 1999 Form 1040 individual income tax return that willfully failed to report defendant RICHARD J. FRASE's income from TAC.

In violation of Title 26, United States Code, Section 7201.

COUNT TWENTY-NINE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 and 3-28 of Count 26 are incorporated here.
2. During tax year 2000, defendant RICHARD J. FRASE received approximately \$185,640 from TAC.
3. Defendant RICHARD J. FRASE was required to report this income on federal income tax returns filed with the Internal Revenue Service each year.
4. Defendant RICHARD J. FRASE failed to timely file a federal income tax return for tax year 2000.
5. From on or about January 1, 2000, through on or about October 22, 2007, in the Eastern District of Pennsylvania, and elsewhere, defendant

RICHARD J. FRASE,

a resident of Auburn Hills, Michigan and Schoharie, New York, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2000 by failing to make an income tax return on or about April 16, 2001, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) By causing his salary from TAC paid to be paid to The Personnel Department, Inc., which in turn, paid him directly only \$6,000;

(2) by causing The Personnel Department, Inc. to issue a Form W-2 for the year 2000 falsely reporting that defendant RICHARD J. FRASE received only \$6,000 from TAC during calendar year 2000;

(3) by utilizing a shell corporation, GTTS, the sole purpose of which was to conceal defendant RICHARD J. FRASE's salary and related income from TAC and which identified a fictional person as a corporate officer;

(4) by utilizing a GTTS corporate bank account at Wachovia Bank, the purpose of which was to receive unreported and untaxed income from TAC that went through the Personnel Department, Inc., and an account at Commerce Bank in the name of Administar, Inc.;

(5) by filing on or about October 22, 2007, a 2000 Form 1120 corporate income tax return for GTTS that falsely reported income received by RICHARD J. FRASE from TAC as gross receipts of GTTS; and

(6) by filing on or about February 19, 2003 a false 2000 Form 1040 individual income tax return that willfully failed to report defendant RICHARD J. FRASE's income from TAC.

In violation of Title 26, United States Code, Section 7201.

COUNT THIRTY

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 and 3-28 of Count 26 are incorporated here.
2. During tax year 2001, defendant RICHARD J. FRASE received approximately \$182,490 from TAC.
3. Defendant RICHARD J. FRASE was required to report this income on federal income tax returns filed with the Internal Revenue Service each year.
4. Defendant RICHARD J. FRASE failed to file a federal income tax return for tax year 2001.
5. From on or about January 1, 2001, through on or about October 24, 2007, in the Eastern District of Pennsylvania, and elsewhere, defendant

RICHARD J. FRASE,

a resident of Auburn Hills, Michigan and Schoharie, New York, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2001 by failing to make an income tax return on or about April 15, 2002, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) By causing his salary from TAC to be paid to The Personnel Department, Inc., which in turn, paid him directly only \$6,000;

(2) by having The Personnel Department, Inc. to issue a Form W-2 for the year 2001 falsely reporting that defendant RICHARD J. FRASE received only \$6,000 from TAC during calendar year 2001;

(3) by utilizing a shell corporation, GTTS, the sole purpose of which was to conceal defendant RICHARD J. FRASE's salary and related income from TAC Automotive and which identified a fictional person as a corporate officer;

(4) by utilizing a GTTS corporate bank account at Wachovia Bank, the purpose of which was to receive unreported and untaxed income from TAC that went through the Personnel Department, Inc., and accounts at Commerce Bank and Madison Bank in the name of Administar, Inc.;

(5) by filing on or about October 22, 2007, a 2001 Form 1120 corporate income tax return for GTTS that falsely reported income received by RICHARD J. FRASE from TAC as gross receipts of GTTS; and

(6) by filing on or about October 24, 2007, a false 2001 Form 1040 individual income tax return that willfully failed to report defendant RICHARD J. FRASE's income from TAC.

In violation of Title 26, United States Code, Section 7201.

COUNT THIRTY-ONE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 and 3-28 of Count 26 are incorporated here.
2. During tax year 2002, defendant RICHARD J. FRASE, received approximately \$178,030 from TAC.
3. Defendant RICHARD J. FRASE was required to report this income on federal income tax returns filed with the Internal Revenue Service each year.
4. Defendant RICHARD J. FRASE failed to file a federal income tax return for tax year 2002.
5. From on or about January 1, 2002, through on or about October 24, 2007, in the Eastern District of Pennsylvania, and elsewhere, defendant

RICHARD J. FRASE,

a resident of Auburn Hills, Michigan and Schoharie, New York, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2002 by failing to make an income tax return on or about April 15, 2003, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) By having his salary from TAC paid to The Personnel Department, Inc., which in turn, paid him directly only \$6,000;

(2) by having The Personnel Department, Inc. issue a Form W-2 for the year 2002 falsely reporting that defendant RICHARD J. FRASE received only \$6,000 from TAC during calendar year 2002;

(3) by utilizing a shell corporation, GTTS, the sole purpose of which was to conceal defendant RICHARD J. FRASE's salary and related income from TAC and which identified a fictional person as a corporate officer;

(4) by utilizing a GTTS corporate bank account at Wachovia Bank, the purpose of which was to receive unreported and untaxed income from TAC that went through the Personnel Department, Inc., and an account at Madison Bank in the name of Administar, Inc.;

(5) by filing on or about October 22, 2007, a 2002 Form 1120 corporate income tax return for GTTS that falsely reported income received by RICHARD J. FRASE from TAC as gross receipts of GTTS; and

(6) by filing on or about October 24, 2007, a false 2002 Form 1040 individual income tax return that willfully failed to report defendant RICHARD J. FRASE's income from TAC.

In violation of Title 26, United States Code, Section 7201.

COUNT THIRTY-TWO

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 and 3-28 of Count 26 are incorporated here.
2. During tax year 2003, defendant RICHARD J. FRASE received approximately \$151,147.50 from TAC.
3. Defendant RICHARD J. FRASE was required to report this income on federal income tax returns filed with the Internal Revenue Service each year.
4. Defendant RICHARD J. FRASE failed to file a federal income tax return for tax year 2003.
5. From on or about January 1, 2003, through on or about on or about October 29, 2007, in the Eastern District of Pennsylvania, and elsewhere, defendant

RICHARD J. FRASE,

a resident of Auburn Hills, Michigan and Schoharie, New York, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2003 by failing to make an income tax return on or about April 15, 2004, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) By causing his salary from TAC to be paid to The Personnel Department, Inc., which in turn, paid him directly only \$5,500;

(2) by causing The Personnel Department, Inc., to issue a Form W-2 for the year 2003 falsely reporting that defendant RICHARD J. FRASE received only \$5,500 from TAC during calendar year 2003;

(3) by utilizing a shell corporation, GTTS, the sole purpose of which was to conceal defendant RICHARD J. FRASE's salary and related income from TAC and which identified a fictional person as a corporate officer;

(4) by utilizing a GTTS corporate bank account at Wachovia Bank, the purpose of which was to receive unreported and untaxed income from TAC that went through the Personnel Department, Inc., and an account at Madison Bank in the name of Administar, Inc.;

(5) by filing on or about October 29, 2007, a 2003 Form 1120 corporate income tax return for GTTS that falsely reported income received by RICHARD J. FRASE from TAC as gross receipts of GTTS; and

(6) by filing on or about October 24, 2007, a false 2003 Form 1040 individual income tax return that willfully failed to report defendant RICHARD J. FRASE's income from TAC.

In violation of Title 26, United States Code, Section 7201.

COUNT THIRTY-THREE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 and 3-28 of Count 26 are incorporated here.
2. On or about February 19, 2003, in the Eastern District of Pennsylvania, and elsewhere, defendant

RICHARD J. FRASE

willfully made and subscribed a United States income tax return, Form 1040, for the calendar year 1998, which was verified by a written declaration that it was made under the penalty of perjury, which defendant RICHARD J. FRASE did not believe to be true and correct as to every material matter, in that the return reported \$6,000 of income from TAC, when, as defendant RICHARD J. FRASE knew, he received approximately \$163,383 from TAC.

In violation of Title 26, United States Code, Section 7206(1).

COUNT THIRTY-FOUR

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 and 3-28 of Count 26 are incorporated here.
2. On or about February 19, 2003, in the Eastern District of Pennsylvania,
and elsewhere, defendant

RICHARD J. FRASE

willfully made and subscribed a United States income tax return, Form 1040, for the calendar year 1999, which was verified by a written declaration that it was made under the penalty of perjury, which defendant RICHARD J. FRASE did not believe to be true and correct as to every material matter, in that the return reported \$6,000 of income from TAC, when, as defendant RICHARD J. FRASE knew, he received approximately \$146,055 from TAC.

In violation of Title 26, United States Code, Section 7206(1).

COUNT THIRTY-FIVE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 and 3-28 of Count 26 are incorporated here.
2. On or about February 19, 2003, in the Eastern District of Pennsylvania, and elsewhere, defendant

RICHARD J. FRASE

willfully made and subscribed a United States income tax return, Form 1040, for the calendar year 2000, which was verified by a written declaration that it was made under the penalty of perjury, which defendant RICHARD J. FRASE did not believe to be true and correct as to every material matter, in that the return reported \$6,000 of income from TAC, when, as defendant RICHARD J. FRASE knew, he received approximately \$185,640 from TAC.

In violation of Title 26, United States Code, Section 7206(1).

COUNT THIRTY-SIX

THE GRAND JURY FURTHER CHARGES THAT:

At all times relevant to this Superseding Indictment:

1. Paragraphs 1-9, 11-15 and 35-40 of Count One are incorporated here.
2. Defendant KENNETH W. KLINGER, along with defendant BERNARD J.

BAGDIS and Stephen Schulz, charged elsewhere in this Superseding Indictment, was a part-owner and a manager of Basement Doctor Waterproofing Company (“BDWC”), a successful waterproofing and home remodeling company located in Trevose, Pennsylvania. Defendant KLINGER was primarily responsible for overseeing the operations of BDWC, while Schulz managed BDWC’s sales efforts. Defendant BAGDIS controlled BDWC’s finances, legal affairs and tax filings.

The Conspiracy

3. From in or about 1999, through in or about 2004, in the Eastern District of Pennsylvania, and elsewhere, defendants

BERNARD J. BAGDIS and KENNETH W. KLINGER

conspired and agreed, together and with others known and unknown to the grand jury, to knowingly defraud the United States for the purpose of impeding, impairing, obstructing, and defeating the lawful government functions of the Internal Revenue Service (“IRS”) of the Department of the Treasury in the ascertainment, computation, assessment, and collection of taxes, in violation of Title 18, United States Code, Section 371.

Manner and Means

It was part of the conspiracy that:

4. Defendants BERNARD J. BAGDIS and KENNETH W. KLINGER created and incorporated a Delaware corporation, K&D Industries, Inc. (hereinafter “K&D”), which had no business operations, function or purpose other than to serve as a vehicle through which defendant KLINGER’s personal income and expenses from BDWC would flow. The mailing address for K&D was the residence of defendant KLINGER and his wife in Perkiomenville, Pennsylvania.

5. Administar Corporation, which was owned and controlled by defendant BERNARD J. BAGDIS, served as the Delaware registered agent for K&D.

6. Between 1999 and 2004, defendant KENNETH W. KLINGER, at the direction of defendant BERNARD J. BAGDIS, utilized the fictitious name “Chris White” in K&D’s correspondence with the IRS and the corporation’s bank, identifying him at various times as either the President or the Treasurer of K&D.

7. Defendant KENNETH W. KLINGER and his wife opened and utilized a bank account at Commerce Bank, held in the name of K&D, and identified “Chris White” as the corporation’s treasurer and a signer on the account.

8. During the years 1999 through 2003, defendant KENNETH W. KLINGER and his spouse received approximately \$1,385,542 in salary and other income from BDWC and from other sources.

9. Defendant BERNARD J. BAGDIS, who exercised control over BDWC’s finances and bank accounts, directed defendant KENNETH W. KLINGER to funnel his salary

and related income from BDWC into the K&D bank account through bank accounts that defendant BAGDIS controlled. In order to conceal the source of funds into the K&D account, defendant BAGDIS authorized defendant KLINGER to issue checks to K&D primarily from accounts controlled by defendant BAGDIS and held in the names of “Administar Corp.” and “Accounting Department/BD” at Commerce Bank.

10. From approximately 1999 through approximately 2003, defendant KENNETH W. KLINGER used the funds that were deposited into the K&D bank account to pay for personal and household expenses.

11. From approximately 1999 through approximately March 2004, defendant BERNARD J. BAGDIS, in his capacity as a partial owner of BDWC, and as the person who controlled the finances and tax filings of BDWC, failed and caused BDWC to fail to issue a Form W-2 to defendant KENNETH W. KLINGER regarding his compensation from BDWC, failed to file a Form W-2 or a Form W-3 with the IRS regarding such compensation, and caused the quarterly payroll tax returns, Forms 941, and annual payroll tax returns, Forms 940, filed with the IRS by BDWC to not include the compensation issued to defendant KLINGER.

12. From approximately 1999 through approximately April 2004, defendant KENNETH W. KLINGER did not file federal individual income tax returns, did not report the income which he received from BDWC during 1999 through 2003, and paid none of the approximately \$393,067 in federal income taxes that were due and owing to the IRS on that income.

Overt Acts

In furtherance of the conspiracy, defendants BERNARD J. BAGDIS and KENNETH W. KLINGER, and others known and unknown to the grand jury, committed the following overt acts in the Eastern District of Pennsylvania, and elsewhere:

13. On or about October 21, 1999, defendants BERNARD J. BAGDIS and KENNETH W. KLINGER created and incorporated K&D as a Delaware corporation.

14. On or about November 10, 1999, defendant BERNARD J. BAGDIS, on behalf of K&D, submitted and caused to be submitted to the IRS a Form SS-4, Application for Employer Identification Number, and signed and caused to be signed the application with the name of “Chris White,” an individual who did not exist.

15. On or about December 14, 1999, defendant KENNETH W. KLINGER and his wife opened a bank account at Commerce Bank in the name of K&D, and identified “Chris White” as the corporation’s treasurer and a signer on the account.

16. Between on or about December 17, 1999 and on or about December 23, 2003, defendant KENNETH W. KLINGER deposited and caused to be deposited approximately \$1,330,439.96 of salary and other income into the K&D bank account at Commerce Bank, and used the funds in this account to pay for personal expenditures, without ever reporting any of this income to the IRS and without paying any taxes on this income.

All in violation of Title 18, United States Code, Section 371.

COUNT THIRTY-SEVEN

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-2 and 4-16 of Count 36 are incorporated here.
2. During the tax years 1999 through 2003, defendant KENNETH W.

KLINGER and his spouse received approximately \$1,385,542 in income primarily as a result of the operation of the Basement Doctor Waterproofing Company of which he was an owner and manager, and from other sources.

3. Defendant KENNETH W. KLINGER was required to report this income on federal income tax returns filed with the Internal Revenue Service each year.

4. During each of those years, however, defendant KENNETH W. KLINGER and his wife failed to file any federal income tax returns, failed to report any taxable income, and failed to pay any federal income taxes at all.

5. From in or about 1999, through in or about 2004, in the Eastern District of Pennsylvania, and elsewhere, defendant

KENNETH W. KLINGER,

a resident of Perkiomenville, Pennsylvania, who during calendar years 1999 through 2003 was married, willfully attempted to evade and defeat a large part of the tax due and owing by him and his spouse to the United States of America for the calendar years 1999 through 2003 through various means, including, among other things:

(1) By establishing a shell corporation, K&D Industries, Inc., the sole purpose of which was to conceal defendant KENNETH W. KLINGER's BDWC salary and related income and which identified a fictional person as a corporate officer;

(2) by opening a K&D Industries, Inc. corporate bank account at Commerce Bank, the purpose of which was to receive unreported and untaxed income from BDWC that was disguised in the form of checks from unrelated corporate entities controlled by Bernard J. Bagdis, charged elsewhere in this Superseding Indictment; and

(3) by willfully failing to file any individual federal income tax returns during the years 1999 through 2003, willfully failing to report any income, and by willfully failing to pay any federal income taxes.

In violation of Title 26, United States Code, Section 7201.

COUNT THIRTY-EIGHT

THE GRAND JURY FURTHER CHARGES THAT:

At all times relevant to this Superseding Indictment:

1. Paragraphs 1-9, 11-15 and 41-45 of Count One are incorporated here.
2. Defendant STEPHEN SCHULZ, along with defendant BERNARD J.

BAGDIS and Kenneth W. Klinger, charged elsewhere in this Superseding Indictment, was a part-owner and a manager of Basement Doctor Waterproofing Company (“BDWC”), a successful waterproofing and home remodeling company located in Trevose, Pennsylvania. Defendant SCHULZ managed BDWC’s sales efforts, while Klinger was primarily responsible for overseeing the operations of BDWC. Defendant BAGDIS controlled BDWC’s finances, legal affairs and tax filings.

The Conspiracy

3. From in or about 1999, through in or about 2004, in the Eastern District of Pennsylvania, and elsewhere, defendants

BERNARD J. BAGDIS and STEPHEN SCHULZ

conspired and agreed, together and with others known and unknown to the grand jury, to knowingly defraud the United States for the purpose of impeding, impairing, obstructing, and defeating the lawful government functions of the Internal Revenue Service (“IRS”) of the Department of the Treasury in the ascertainment, computation, assessment, and collection of taxes, in violation of Title 18, United States Code, Section 371.

Manner and Means

It was part of the conspiracy that:

4. Defendants BERNARD J. BAGDIS and STEPHEN SCHULZ created and incorporated a Delaware corporation, M&R Concepts, Ltd. (hereinafter “M&R”), in order to serve as a vehicle through which defendant SCHULZ’s personal income from BDWC and personal expenses would flow. For the purposes of correspondence with the Internal Revenue Service, the address for M&R was designated as an address in Dover, Delaware. For the purposes of maintaining bank accounts, however, the address for M&R was designated as the personal residence of defendant SCHULZ and his wife.

5. Administar Corporation, which was owned and controlled by defendant BERNARD J. BAGDIS, served as the Delaware registered agent for M&R.

6. Defendant STEPHEN SCHULZ, at the direction of defendant BERNARD J. BAGDIS, utilized the nominee name “Chris White” as the president of M&R on correspondence with the IRS, and as the treasurer of M&R on correspondence with the corporation’s bank.

7. Defendant STEPHEN SCHULZ and his wife opened and utilized bank accounts at Commerce Bank, held in the name of M&R, and identified “Chris White,” an individual who did not exist, as the corporation’s Treasurer and as a signer on the accounts.

8. During the years 1999 through 2003, defendant STEPHEN SCHULZ and his spouse received approximately \$927,081 in salary and compensation, the vast majority of which consisted of salary and compensation paid to defendant SCHULZ by BDWC.

9. Defendant BERNARD J. BAGDIS, who controlled BDWC's finances and bank accounts, directed defendant STEPHEN SCHULZ to funnel his salary and related income from BDWC into the M&R bank account through bank accounts that defendant BAGDIS controlled. In order to conceal the source of funds into the M&R account, checks made payable to M&R were written primarily from bank accounts controlled by defendant BAGDIS and held in the names of "Administar Corp." and "Accounting Department/BD" at Commerce Bank.

10. From approximately 1999 through approximately 2003, defendant STEPHEN SCHULZ used the funds that were deposited into the M&R bank accounts to pay for personal and household expenses.

11. From approximately 1999 through approximately March 2004, defendant BERNARD J. BAGDIS, in his capacity as a partial owner of BDWC, and as the person who controlled the finances and tax filings of BDWC, failed and caused BDWC to fail to issue a Form W-2 to defendant STEPHEN SCHULZ regarding his compensation from BDWC, failed to file a Form W-2 or a Form W-3 with the IRS regarding such compensation, and caused the quarterly payroll tax returns, Forms 941, and annual payroll tax returns, Forms 940, filed with the IRS by BDWC to exclude the compensation paid to defendant SCHULZ.

12. From approximately 1999 through approximately April 2004, defendant STEPHEN SCHULZ did not file federal corporate income tax returns for M&R, did not file federal individual income tax returns, did not report the approximate total of \$927,081 in income which he and his spouse received from BDWC and other sources during 1999 through 2003, and paid none of the approximately \$253,590 in federal income taxes that were due and owing to the IRS on that income.

Overt Acts

In furtherance of the conspiracy, defendants BERNARD J. BAGDIS and STEPHEN SCHULZ, and others known and unknown to the grand jury, committed the following overt acts in the Eastern District of Pennsylvania, and elsewhere:

13. On or about December 14, 1999, defendants BERNARD J. BAGDIS and STEPHEN SCHULZ created and incorporated M&R, a Delaware corporation.

14. On or about January 4, 2000, defendant BERNARD J. BAGDIS, on behalf of M&R, submitted and caused to be submitted to the Internal Revenue Service a Form SS-4, Application for Employer Identification Number, and signed and caused to be signed the application with the name of “Chris White,” an individual who did not exist.

15. On or about February 7, 2000, on or about January 5, 2001, and on or about December 21, 2001, defendant STEPHEN SCHULZ and his wife opened bank accounts at Commerce Bank in the name of M&R, and identified “Chris White” as the corporation’s treasurer and as a signer on the accounts.

16. Between on or about February 9, 2000 and on or about December 22, 2003, defendant STEPHEN SCHULZ deposited approximately \$691,665 in salary and other income into the M&R bank accounts at Commerce Bank, and used the funds in these accounts to pay for personal expenditures.

All in violation of Title 18, United States Code, Section 371.

COUNT THIRTY-NINE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-2 and 4-16 of Count 38 are incorporated here.
2. During the tax years 1997 through 2003, defendant STEPHEN SCHULZ and his spouse received approximately \$1,060,705 in income, primarily as a result of defendant SCHULZ's operation of the Basement Doctor Waterproofing Company ("BDWC"), of which defendant SCHULZ was an owner and manager.
3. Defendant STEPHEN SCHULZ was required to report this income on federal income tax returns filed with the Internal Revenue Service each year.
4. From in or about April 1998 through in or about April 2004, defendant STEPHEN SCHULZ and his wife failed to file any federal income tax returns, failed to report any taxable income, and failed to pay any federal income taxes at all.
5. From in or about 1998, through in or about 2004, in the Eastern District of Pennsylvania, and elsewhere, defendant

STEPHEN SCHULZ,

a resident of Richboro, Pennsylvania, who during calendar years 1997 through 2003 was married, willfully attempted to evade and defeat an income tax due and owing by him and his spouse to the United States of America for the calendar years 1997 through 2003 by failing to make a joint individual income tax return on or about April 15 of the following year, as required by law, to any proper officer of the Internal Revenue Service, by failing to pay to the Internal Revenue Service this individual income tax, and by concealing and attempting to conceal from all proper

officers of the United States of America his true and correct income through various means, including, among other things:

(1) By establishing a shell corporation, M&R Concepts, Ltd. (“M&R”), the sole purpose of which was to conceal defendant STEPHEN SCHULZ’s salary from BDWC and related income, and which identified a fictional person as a corporate officer; and

(2) by opening M&R corporate bank accounts at Commerce Bank, the purpose of which was to receive unreported and untaxed income, including primarily income from BDWC that was disguised in the form of checks from unrelated corporate entities controlled by Bernard J. Bagdis, charged elsewhere in this Superseding Indictment.

In violation of Title 26, United States Code, Section 7201.

COUNT FORTY

THE GRAND JURY FURTHER CHARGES THAT:

At all times relevant to this Superseding Indictment:

1. Paragraphs 1-9, 11-15 and 46-49 of Count One are incorporated here.
2. During the years 1995 through 2003, defendant MICHAEL S. KLEIN was a salaried employee of the law office of Bernard J. Bagdis, P.C., and received regular salary checks and a year-end bonus.
3. During the years 1995 through 2003, defendant MICHAEL S. KLEIN also operated a small, separate legal practice while employed by defendant BERNARD J. BAGDIS, and paid defendant BAGDIS 40-60% of the legal fees received from this separate practice.

The Conspiracy

4. From in or about 1995, through in or about 2004, defendants

**BERNARD J. BAGDIS and
MICHAEL S. KLEIN**

conspired and agreed, together and with others known and unknown to the grand jury, to knowingly defraud the United States for the purpose of impeding, impairing, obstructing, and defeating the lawful government functions of the Internal Revenue Service of the Department of the Treasury in the ascertainment, computation, assessment, and collection of taxes, in violation of Title 18, United States Code, Section 371.

Manner and Means

It was part of the conspiracy that:

5. Beginning in or about 1995, defendants MICHAEL S. KLEIN and BERNARD J. BAGDIS agreed that federal employment and other taxes would no longer be withheld from defendant KLEIN's salary checks;

6. Defendant MICHAEL S. KLEIN's salary checks from defendant BERNARD J. BAGDIS were deposited into a corporate bank account, Michael S. Klein, P.C., which defendant KLEIN then used to pay personal expenditures;

7. A shell corporation titled "Renscot, Ltd.," a Delaware corporation that had no business operations whatsoever, was created to facilitate the receipt by defendant MICHAEL S. KLEIN of unreported income from defendant BERNARD J. BAGDIS and from other sources.

8. A corporate bank account in the name of "Renscot, Ltd." was created which, beginning in or about 2002, defendant MICHAEL S. KLEIN used to receive deposits of salary and other income and which defendant KLEIN used to pay personal expenses;

9. Salary checks to defendant MICHAEL S. KLEIN from defendant BERNARD J. BAGDIS were drawn on a variety of unrelated business accounts controlled by BAGDIS, including the Personnel Department, Inc., Administar Corp., Phoenix Reorganization Services, Chronos, Inc., and MMT, all for the purpose of attempting to conceal defendant KLEIN's sources of income;

10. Defendant MICHAEL S. KLEIN failed to file any individual federal income tax returns during the years 1995 through 2003, failed to report any income, and failed to pay any federal income taxes during all of those years.

Overt Acts

In furtherance of the conspiracy, defendants BERNARD J. BAGDIS and MICHAEL S. KLEIN, and others known and unknown to the grand jury, committed the following overt acts in the Eastern District of Pennsylvania, and elsewhere:

11. In or about 1995, defendants BERNARD J. BAGDIS and MICHAEL S. KLEIN agreed that federal employment and other taxes would no longer be withheld from defendant KLEIN's salary checks.

12. On or about October 23, 1995, defendants BERNARD J. BAGDIS and MICHAEL S. KLEIN created and incorporated Michael S. Klein, P.C.

13. On or about July 1, 1998, defendant MICHAEL S. KLEIN opened a bank account at Sovereign Bank in the name of Michael S. Klein, P.C.

14. On or about August 9, 2000, defendants BERNARD J. BAGDIS and MICHAEL S. KLEIN created and incorporated Renscot, Ltd., a Delaware corporation that had no separate business operations.

15. On or about August 11, 2000, defendant MICHAEL S. KLEIN opened a corporate bank account at Sovereign Bank in the name of Renscot, Ltd., a shell company which had no business operations and which was created only to facilitate the receipt and use of unreported income.

16. On or about February 6, 2002, at the direction of defendant BERNARD J. BAGDIS, Phoenix Reorganization Services, Inc., an entity controlled by defendant BAGDIS, issued check number 1848 from its account at Commerce Bank in the amount of \$1,100 to Renscot, Ltd. in order to pay the salary of defendant MICHAEL S. KLEIN.

17. On or about February 12, 2002, defendant MICHAEL S. KLEIN deposited check number 1848 described above into the Renscot, Ltd. bank account at Sovereign Bank.

18. On or about October 31, 2002, at the direction of defendant BERNARD J. BAGDIS, The Personnel Department, Inc., an entity controlled by defendant BAGDIS, issued check number 709 from its account at Sovereign Bank in the amount of \$1,457 to Renscot, Ltd. in order to pay the salary of defendant MICHAEL S. KLEIN.

19. On or about November 1, 2002, defendant MICHAEL S. KLEIN deposited check number 709 described above into the Renscot, Ltd. bank account at Sovereign Bank.

20. On or about January 10, 2003, at the direction of defendant BERNARD J. BAGDIS, Administar Corporation, an entity controlled by defendant BAGDIS, issued check number 15559 from its account at Madison Bank in the amount of \$1,326 to Renscot, Ltd. in order to pay the salary of defendant MICHAEL S. KLEIN.

21. On or about January 10, 2003, defendant MICHAEL S. KLEIN deposited check number 15559 described above into the Renscot, Ltd. bank account at Sovereign Bank.

22. On or about July 10, 2003, at the direction of defendant BERNARD J. BAGDIS, Phoenix Reorganization Services, Inc., an entity controlled by defendant BAGDIS, issued check number 2043 from its account at Commerce Bank in the amount of \$1,342 to Renscot, Ltd. in order to pay the salary of defendant MICHAEL S. KLEIN.

23. On or about July 10, 2003, defendant MICHAEL S. KLEIN deposited check number 2043 described above into the Renscot, Ltd. bank account at Sovereign Bank.

24. On or about October 31, 2003, at the direction of defendant BERNARD J. BAGDIS, Chronos, Inc., an entity controlled by defendant BAGDIS, issued check number 2489 from its account at Union National Bank in the amount of \$1,327.69 to Renscot, Ltd. in order to pay the salary of defendant MICHAEL S. KLEIN.

25. On or about November 3, 2003, defendant MICHAEL S. KLEIN deposited check number 2489 described above into the Renscot, Ltd. bank account at Sovereign Bank.

All in violation of Title 18, United States Code, Section 371.

COUNT FORTY-ONE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-3 and 5-25 of Count 40 are incorporated here.
2. During the years 1995 through 2003, defendant MICHAEL S. KLEIN was a salaried employee of the law office of Bernard J. Bagdis, P.C., and received regular salary checks and a year-end bonus.
3. During the years 1995 through 2003, defendant MICHAEL S. KLEIN also operated a small, separate legal practice while employed by defendant Bernard J. Bagdis, charged elsewhere in this Superseding Indictment, and paid Bagdis 40-60% of the legal fees received from this separate practice.
4. During the tax years 1995 through 2003, defendant MICHAEL S. KLEIN received approximately \$395,607 in salary and other business-related income from defendant Bernard J. Bagdis and from his own separate law practice.
5. Defendant MICHAEL S. KLEIN was required to report this income on Form 1040 individual federal income tax returns filed with the Internal Revenue Service each year.
6. From in or about 1995, through in or about 2004, in the Eastern District of Pennsylvania, and elsewhere, defendant

MICHAEL S. KLEIN,

a resident of Warrington, Pennsylvania, willfully attempted to evade and defeat a large part of the tax due and owing by him to the United States of America for the calendar years 1995 through 2003 through various means, including, among other things:

(1) Beginning in or about 1995, defendant KLEIN agreed with Bernard J. Bagdis, charged elsewhere in this Superseding Indictment, that federal employment and other taxes would no longer be withheld from his salary checks;

(2) by causing salary checks from Bernard J. Bagdis, charged elsewhere in this Superseding Indictment, to be deposited into a corporate bank account, Michael S. Klein, P.C., and then by using funds deposited into that account to be used to pay for purely personal expenditures;

(3) by creating a shell corporation titled “Renscot, Ltd.,” a Delaware corporation that had no business operations whatsoever and which was created to facilitate the receipt by defendant KLEIN of unreported income;

(4) by opening a bank account in the name of “Renscot, Ltd.,” which, beginning in or about 2002, defendant KLEIN used to receive deposits of salary and other income and which defendant KLEIN used to pay personal expenses;

(5) by agreeing with Bernard J. Bagdis, charged elsewhere in this Superseding Indictment, that salary checks to defendant KLEIN from Bagdis would be drawn on a variety of unrelated business accounts, including, among others, the Personnel Department, Inc., Administar Corp., Phoenix Reorganization Services, and other entities controlled by Bagdis, all for the purpose of attempting to conceal defendant KLEIN’s sources of income; and

(6) by willfully failing to file any individual federal income tax returns during the years 1995 through 2003, willfully failing to report any income, and by willfully failing to pay any federal income taxes during all of those years.

In violation of Title 26, United States Code, Section 7201.

COUNT FORTY-TWO

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-9 and 11-15 of Count One are incorporated here.
2. From in or about January 1997, through at least in or about December 2003, defendant BERNARD J. BAGDIS paid and caused to be paid approximately \$293,756 in total compensation to Kathleen Williams, charged elsewhere in this Superseding Indictment, for working as an administrative assistant for the law and business office of defendant BAGDIS.
3. From in or about January 1997, through at least in or about December 2003, defendant BERNARD J. BAGDIS, as the employer of Kathleen Williams, paid defendant Williams her compensation primarily through checks made payable to the Administar Corporation, a Delaware corporation owned and controlled by defendant BAGDIS, rather than through checks made payable in the name of Williams, in order to disguise her true income. Williams deposited these checks into bank accounts held in the name of the Administar Corporation, but which Williams controlled.
4. From in or about 1997, through at least in or about April 2004, defendant BERNARD J. BAGDIS told Williams that personal expenditures made by Williams through the bank accounts which she held in the name of the Administar Corporation were deductible, and that she should not report the compensation which she received from defendant BAGDIS in the name of the Administar Corporation as income on her individual income tax returns.
5. For the tax years 1999 through 2003, defendant BERNARD J. BAGDIS, as the employer of Kathleen Williams, failed to withhold federal income taxes from her paychecks, failed to issue Forms W-2 to Williams regarding her compensation, and failed to file

any Forms W-2 or Forms W-3 with the Internal Revenue Service which reported the compensation paid to Williams.

6. From in or about January 1997, through in or about December 2003, Kathleen Williams did not report to the Internal Revenue Service the approximately \$293,756 in compensation paid to her by defendant BERNARD J. BAGDIS, or the approximately \$21,800 in compensation paid to her spouse by Basement Doctor Waterproofing Company, a company which defendant BAGDIS owned in part.

7. On or about February 20, 2002, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERNARD J. BAGDIS

willfully aided and assisted in, and advised the preparation and presentation, to the Internal Revenue Service, a United States joint individual income tax return, Form 1040, of Kathleen Williams, charged elsewhere in this Superseding Indictment, and her spouse for the calendar year 2001, which was false and fraudulent as to material matters, in that the return reported an adjusted gross income of \$34,131, when, as defendant BAGDIS knew, Williams and her spouse had substantial income in addition to that heretofore stated.

In violation of Title 26, United States Code, Section 7206(2).

COUNT FORTY-THREE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-6 of Count 42 are incorporated here.
2. On or about February 20, 2002, in the Eastern District of Pennsylvania, and elsewhere, defendant

KATHLEEN WILLIAMS

willfully made and subscribed a United States joint individual income tax return, Form 1040, for the calendar year 2001, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Director, Internal Revenue Service Center, at Philadelphia, Pennsylvania, which defendant WILLIAMS did not believe to be true and correct as to every material matter, in that the return reported an adjusted gross income of \$34,131, when, as defendant WILLIAMS knew, she and her spouse had substantial income in addition to that heretofore stated.

In violation of Title 26, United States Code, Section 7206(1).

COUNT FORTY-FOUR

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-9, 11-15 and 55-67 of Count One are incorporated here.
2. Defendant STEVEN HEDRICK and his spouse received an approximate total of \$141,000 in gross income during the calendar year 2003.
3. On or about April 15, 2004, in the Eastern District of Pennsylvania, and elsewhere, defendant

STEVEN HEDRICK,

a resident of Dover, Delaware, who during calendar year 2003 was married, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2003 by failing to make a joint individual income tax return on or about April 15, 2004, as required by law, to any proper officer of the Internal Revenue Service, by failing to pay to the Internal Revenue Service this individual income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

(1) by concealing the sources and amounts of his true and correct income by causing his corporation, James Stevens & Daniels (“JSD”) to pay defendant HEDRICK his compensation for the 2003 calendar year as the President of JSD to a bank account held in the name of a shell corporation, Blesco Inc., which defendant HEDRICK in turn, used to make personal expenditures; and

(2) by filing and causing to be filed with the Director, Internal Revenue Service Center, Lexington, Kentucky, a false and fraudulent U.S. corporate income tax

return, Form 1120, on behalf of JSD for the calendar year 2003, which was prepared in Blue Bell, Pennsylvania, and which stated that JSD had paid no compensation to its officers, but, as defendant HEDRICK then well knew and believed, JSD in fact had paid defendant HEDRICK, as the President of JSD, approximately \$91,634 in compensation through JSD checks made payable to Blesco Inc.

In violation of Title 26, United States Code, Section 7201.

COUNT FORTY-FIVE

THE GRAND JURY FURTHER CHARGES THAT:

At all times relevant to this Superseding Indictment:

1. Paragraphs 1-9, 11-15 and 68-78 of Count One are incorporated here.
2. Defendant WILLIAM K. ACOSTA was a partial owner of several businesses and partnerships during all or parts of the years 1998 to 2003, including Fiscal Fitness, Inc., a vitamins distributor, Filtr'all, Inc., which manufactured components for filters and filtration systems in Gilbertsville, Pennsylvania, Nautilus Connection, Inc., a health club in Trappe, Pennsylvania, Trappe Ridge Associates, Inc., which owned and managed real property in Trappe, Pennsylvania, and WARA, L.P., a family partnership that owned and managed a building in Norristown, Pennsylvania.

The Conspiracy

3. From in or about 2000, through in or about 2004, defendants

**BERNARD J. BAGDIS and
WILLIAM K. ACOSTA**

conspired and agreed, together and with others known and unknown to the grand jury, to knowingly defraud the United States for the purpose of impeding, impairing, obstructing, and defeating the lawful government functions of the Internal Revenue Service of the Department of the Treasury in the ascertainment, computation, assessment, and collection of taxes, in violation of Title 18, United States Code, Section 371.

Manner and Means

It was part of the conspiracy that:

4. Defendant BERNARD J. BAGDIS assisted defendant WILLIAM K. ACOSTA in concealing his income from the Internal Revenue Service and evading the assessment and payment of federal income taxes for the tax years 1998 through 2003 through a variety of methods, including, among others, (a) the use of bank accounts for a dormant company, Fiscal Fitness, Inc., that defendant BAGDIS used to conceal and deposit defendant ACOSTA's income and pay his personal expenses, while charging a fee of 1% of all incoming and outgoing transfers of funds; (b) the creation of fraudulent, backdated documents submitted to the IRS which purported to show that premature distributions taken by defendant ACOSTA from individual retirement accounts in 1998 and 1999 were rolled over into a legitimate IRA retirement account with MMT, a dormant shell company that defendant BAGDIS falsely claimed was an Irish bank that was authorized to receive tax exempt IRA rollovers, for the purpose of evading taxes and early withdrawal penalties; and (c) the preparation of false federal income tax returns for the years 1998 and 1999 on behalf of defendant ACOSTA.

5. During the years 1998 through 2003, defendant WILLIAM K. ACOSTA received approximately \$684,534 in salary and other income from the various companies he owned, and from taxable IRA distributions that he received during the years 1998 and 1999, yet paid no federal income taxes on any of this income.

6. During the years 1998 through 2003, defendant WILLIAM K. ACOSTA filed individual federal income tax returns, which were prepared by defendant BERNARD J. BAGDIS, on only two occasions, for tax years 1998 and 1999, and on each such occasion falsely reported that no federal income taxes were due and owing.

7. During the years 1998 through 2004, defendant WILLIAM K. ACOSTA used the funds that were deposited into the Fiscal Fitness, Inc. bank accounts and other accounts over which he had control to pay for personal and household expenses.

8. During the years 1998 through 2004, defendant WILLIAM K. ACOSTA paid none of the approximately \$167,680 in federal income taxes that were owed to the IRS for the years 1998 through 2003.

Overt Acts

In furtherance of the conspiracy, defendants BERNARD J. BAGDIS and WILLIAM K. ACOSTA, and others known and unknown to the grand jury, committed the following overt acts in the Eastern District of Pennsylvania, and elsewhere:

9. On or about August 2, 2001, defendant BERNARD J. BAGDIS prepared and caused to be prepared a Form 1040 Individual Income Tax Return for defendant WILLIAM K. ACOSTA for 1998 which, among other things, falsely stated that an IRA distribution to defendant ACOSTA in 1998 in the amount of \$77,390 was exempt from federal tax because it had been rolled over into a qualified IRA account when, in fact, no such roll over had ever occurred.

10. On or about August 13, 2001, defendant WILLIAM K. ACOSTA signed under penalty of perjury a Form 1040 Individual Income Tax Return for 1998 that falsely declared that \$77,390 which had been distributed to defendant ACOSTA in 1998 had instead been transferred or rolled over to a qualified IRA plan, and, as a consequence, was not subject to federal income taxes.

11. On or about February 19, 2002, defendant BERNARD J. BAGDIS wrote a letter to the Internal Revenue Service Center in Philadelphia on behalf of defendant WILLIAM K. ACOSTA which falsely asserted the following:

This letter is for the purpose of verifying that the gross distribution of \$57,390.00, which Mr. Acosta received from Vanguard Fiduciary Trust Co., and the gross distribution of \$20,000.00, which Mr. Acosta received from AFSB IRA Plan during 1998, were both rolled over into an IRA account Mr. Acosta established with Merchant's & Manufacturers Trust Limited. Therefore, since these distributions were rolled over, these distributions are not taxable to our client and should not be included as income on our client's 1998 federal income tax return, which is how his return was originally filed.

12. On or about February 21, 2002, defendant WILLIAM K. ACOSTA signed under penalty of perjury another Form 1040 Individual Income Tax Return for 1998 that again falsely declared that \$77,390 which had been distributed to defendant ACOSTA in 1998 had instead been transferred or rolled over to a qualified IRA plan, and, as a consequence, was not subject to federal income taxes.

13. On or about May 17, 2002, defendant BERNARD J. BAGDIS wrote a letter to the Internal Revenue Service Center in Fresno, California on behalf of defendant WILLIAM K. ACOSTA and which falsely asserted the following:

As we previously stated, our client rolled these IRA distributions into an IRA account with Merchant's & Manufacturers Trust Limited.

14. On or about May 30, 2002, defendant WILLIAM K. ACOSTA sent a fax to the law office of defendant BERNARD J. BAGDIS enclosing a copy of an IRS notice dated May 27, 2002 that notified defendant ACOSTA that he owed the IRS \$78,541.23 for the 1999 tax year.

15. On or about June 18, 2002, defendant BERNARD J. BAGDIS sent by fax and U.S. mail to the IRS Service Center in Fresno, California a transmittal letter enclosing copies of defendant WILLIAM K. ACOSTA's IRA account statements reflecting the premature distributions to defendant ACOSTA in 1998, along with phony "IRA/401(k) Rollover Acknowledgment Receipts" purportedly issued by MMT, for the purpose of attempting to convince the IRS that the premature distributions that defendant ACOSTA received were not subject to federal tax and early withdrawal penalties.

16. On or about September 13, 2002, at the direction of defendant BERNARD J. BAGDIS, defendant WILLIAM K. ACOSTA opened a bank account at Madison Bank (account number xxxx159) for Fiscal Fitness, Inc., a dormant company that defendant ACOSTA owned but which had not operated and which conducted no business for several years. On the account opening records, defendant BAGDIS's law office was identified as the address for the business and "Pat Davis," a non-existent person, was identified as an authorized signer on the account.

17. On or about October 4, 2002, at the direction of defendant BERNARD J. BAGDIS, defendant WILLIAM K. ACOSTA opened and began to use a second bank account at Madison Bank (account number xxxx939) for Fiscal Fitness, Inc.

18. On or about July 10, 2003, defendant BERNARD J. BAGDIS prepared or caused to be prepared a Form 1040 Individual Income Tax Return for defendant WILLIAM K. ACOSTA for 1999 which, among other things, falsely stated that an IRA distribution to defendant ACOSTA in 1999 in the amount of \$144,366 was exempt from federal tax because it had been rolled over into a qualified IRA account when, in fact, no such roll over had occurred.

19. On or about July 10, 2003, defendant WILLIAM K. ACOSTA signed under penalty of perjury a Form 1040 Individual Income Tax Return for 1999 that falsely declared that \$144,366 which had been distributed to defendant ACOSTA in 1999 had instead been transferred or rolled over to a qualified IRA plan, and, as a consequence, was not subject to federal income taxes.

All in violation of Title 18, United States Code, Section 371.

COUNT FORTY-SIX

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-2 and 4-19 of Count 45 are incorporated here.

2. During the tax years 1998 through 2003, defendant WILLIAM K. ACOSTA received approximately \$684,534 in salary and other income from the various companies he owned, and from taxable IRA distributions that he received during the years 1998 and 1999.

3. Defendant WILLIAM K. ACOSTA was required to report this income on Form 1040 individual federal income tax returns filed with the Internal Revenue Service each year.

4. During each of those years, defendant WILLIAM K. ACOSTA failed to pay any federal income taxes at all, and failed to file any federal income tax returns for the years 2000 through 2003.

5. For the tax year 1998, defendant WILLIAM K. ACOSTA did not file a federal income tax return until on or about August 13, 2001. That tax return falsely stated that no federal taxes were due and that \$77,390 in premature, taxable IRA distributions made to defendant ACOSTA in 1998 were not subject to federal income taxes based on the false claim that the funds had been rolled over into a qualified IRA at MMT, when, in fact, no such rollover had ever occurred.

6. For the tax year 1999, defendant WILLIAM K. ACOSTA did not file a federal income tax return until on or about July 14, 2003. That tax return falsely stated that no federal taxes were due and falsely stated that \$144,366 in premature, taxable IRA distributions

made to defendant ACOSTA in 1998 were not subject to federal income taxes based on the false claim that the funds had been rolled over into a qualified IRA at MMT, when, in fact, no such rollover had ever occurred.

7. From in or about 1999, through in or about 2004, in the Eastern District of Pennsylvania, and elsewhere, defendant

WILLIAM K. ACOSTA,

a resident of Gilbertsville, Pennsylvania willfully attempted to evade and defeat a large part of the tax due and owing by him and his spouse to the United States of America for the calendar years 1998 through 2003 through various means, including, among other things:

(1) By opening bank accounts at Madison Bank in the name of Fiscal Fitness, Inc., a dormant corporation with no business operations, in order to conceal and deposit income from other businesses owned by defendant ACOSTA and by utilizing the name of a person who did not exist to pay personal expenses directly from the accounts;

(2) by depositing more than \$300,000, an amount that includes untaxed income that had never been reported to the Internal Revenue Service, into the Fiscal Fitness, Inc. accounts at Madison Bank between on or about September 13, 2002 and December 31, 2003, and by using the deposited funds to pay personal and other expenses;

(3) by filing a false Form 1040 individual income tax return for the calendar year 1998 which falsely stated that \$77,390 in IRA distributions received by defendant ACOSTA that year had been rolled over into a qualified IRA account at a fictitious bank created by Bernard J. Bagdis, charged elsewhere in this Superseding Indictment, when, in fact, the funds

had been distributed directly to defendant ACOSTA and made available to him for his personal use;

(4) by filing a false Form 1040 individual income tax return for the calendar year 1999 which falsely stated that \$144,366 in IRA distributions received by defendant ACOSTA that year had been rolled over into a qualified IRA account at a fictitious bank created by Bernard J. Bagdis when, in fact, the funds had been distributed directly to defendant ACOSTA and made available to him for his personal use; and

(5) by willfully failing to file any individual federal income tax returns for the tax years 2000 through 2003, willfully failing to report any income, and by willfully failing to pay any federal income taxes.

In violation of Title 26, United States Code, Section 7201.

COUNT FORTY-SEVEN

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-2 and 4-19 of Count 45 are incorporated here.
2. On or about July 10, 2003, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERNARD J. BAGDIS

willfully aided and assisted in, procured, counseled, and advised the preparation and presentation to the Internal Revenue Service, of a U.S. Individual Income Tax Return, Form 1040, of William K. Acosta, charged elsewhere in this Superseding Indictment, for the calendar year 1999, which was false and fraudulent as to a material matter, in that the return falsely reported that an IRA distribution to William K. Acosta in 1999 in the amount of \$144,366 was exempt from federal tax because it had been rolled over into a qualified IRA account when in fact, as defendant BERNARD J. BAGDIS well knew, no such roll over into a qualified IRA account had occurred.

In violation of Title 26, United States Code, Section 7206(2).

COUNTS FORTY-EIGHT TO FIFTY-NINE

THE GRAND JURY FURTHER CHARGES THAT:

At all times relevant to this Superseding Indictment:

1. Paragraphs 1-9, 11-15, 97-123 and 139-141 of Count One are incorporated here.

THE PAYROLL TAX SYSTEM

2. The Internal Revenue Code, and related regulations, imposed upon employers certain obligations with respect to payroll taxes, including Federal Income Tax Withholding (“FITW”) and withholding of Federal Insurance Contributions Act (“FICA”) taxes including, among others, the following:

- a. FITW generally was required to be withheld on the wages of employees and paid to the IRS;
- b. FICA contributions were made up of four components: the employee’s and employer’s equal shares of social security and medicare taxes. These shares were 6.2 percent for social security and 1.45 percent for medicare. Employers were obligated to withhold the employee’s share and contribute it together with an equal employer’s share (totaling 15.30 percent of wages) to the IRS; and
- c. Employers were required to file a quarterly combined FITW and FICA tax return on an Employer’s Quarterly Tax Return, IRS Form 941.

3. On or about the dates set forth below, in the Eastern

District of Pennsylvania, and elsewhere, defendant

BERNARD J. BAGDIS

willfully aided and assisted in, and advised the preparation and presentation, to the Internal Revenue Service, of Employer's Quarterly Federal Tax Returns, IRS Forms 941, and Employer's Annual Federal Unemployment Tax Returns, IRS Forms 940, which were false and fraudulent as to material matters, in that the returns falsely reported gross payroll in the approximate amounts set forth below, when in fact, as defendant BAGDIS well knew, the returns failed to report a substantial amount of additional gross payroll amounts:

<u>Count</u>	<u>Business Quarter or Year</u>	<u>Filing Date</u>	<u>Reported Total Wages</u>	<u>Approximate Total of Unreported Wages</u>
48	01/12	01/28/02	\$72,766.25	\$450,152.31
49	2001	1/28/02	\$195,846.75	\$1,772,792.44
50	02/03	04/24/02	\$86,916.25	\$358,111.75
51	02/06	07/23/02	\$107,123.50	\$476,068.13
52	02/09	10/23/02	\$164,017.89	\$704,722.91
53	02/12	01/23/03	\$231,184.20	\$914,999.55
54	2002	01/23/03	\$589,241.84	\$2,453,902.34
55	03/03	04/21/03	\$198,928.30	\$887,967.47
56	03/06	07/28/03	\$283,542.70	\$1,142,618.49
57	03/09	10/27/03	\$442,798.64	\$1,592,957.76
58	03/12	01/22/04	\$680,904.15	\$1,301,009.45
59	2003	01/22/04	\$1,605,959.79	\$4,924,553.17

In violation of Title 26, United States Code, Section 7206(2).

COUNT SIXTY

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-9, 11-15 and 97-123 of Count One are incorporated here.
2. On or about December 11, 2003, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERNARD J. BAGDIS

willfully aided and assisted in, and advised the preparation and presentation, to the Internal Revenue Service, United States Treasury Department Internal Revenue Service Form 1096 of Basement Doctor, Inc. for the calendar year 1998, which was false and fraudulent as to material matters, in that the return attached an amended Form 1099 which reported a corrected gross income of \$0.00 for 1998 for Kenneth W. Klinger, charged elsewhere in this Superseding Indictment, when in fact, as defendant BAGDIS well knew, Klinger had received in 1998 from Basement Doctor, Inc. substantial income in addition to the amount reported on the Form 1099.

In violation of Title 26, United States Code, Section 7206(2).

COUNT SIXTY-ONE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-9, 11-15, 99, 100, 102, 107, 108, 111, 112, 121 and 122 of Count One are incorporated here.

2. On or about December 11, 2003, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERTRAM R. RUSSELL

willfully made and subscribed a United States Treasury Department Internal Revenue Service Form 1096 for Basement Doctor, Inc. for the calendar year 1998, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Internal Revenue Service, which was false and fraudulent as to material matters, in that the return attached an amended Form 1099 which reported a corrected gross income of \$0.00 for 1998 for Kenneth W. Klinger, charged elsewhere in this Superseding Indictment, when in fact, as defendant RUSSELL well knew, Klinger had received in 1998 from Basement Doctor, Inc. substantial income in addition to the amount reported on the Form 1099.

In violation of Title 26, United States Code, Section 7206(1).

COUNT SIXTY-TWO

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-9, 11-15, 97-123 and 139-141 of Count One are incorporated here.

2. Defendant BERNARD J. BAGDIS, personally and through a company which he owned and controlled, Phoenix Reorganization Services, owned a 7% equity interest in Basement Doctor Waterproofing Company (BDWC). Further, defendant BAGDIS obtained and maintained control and influence over the records, financial operations, and tax filings of BDWC. Defendant BAGDIS provided financial, accounting and legal services to BDWC, including services relating to taxes, banking and payroll, in return for fees and commissions.

3. On or about February 28, 2002, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERNARD J. BAGDIS,

by reason of BDWC making payments of compensation during the 2001 calendar year to at least the following individuals and in the following approximate amounts,

<u>NAME</u>	<u>AMOUNT</u>
J.S.G.C.	\$24,180
J.K.	\$57,369
M.K.	\$151,863
T.R.	\$271,172
J.B.	\$17,122

B.B. \$13,756

R.K. \$50,361

was required, and BDWC was required, by law to make and cause to be made a return on United States Treasury Department Internal Revenue Service Form 1096 on or before February 28, 2002 to the Director, Internal Revenue Service Center, at Philadelphia, Pennsylvania, or other proper officer of the United States, setting forth the number of returns on United States Treasury Department Internal Revenue Service Forms 1099 attached thereto; that well-knowing and believing all of the foregoing, defendant BAGDIS did willfully fail to make, and aided and abetted and willfully caused BDWC to fail to make, said return to said Director of the Internal Revenue Service Center at said time and place, or to any other proper officer of the United States.

All in violation of Title 26, United States Code, Section 7203, and Title 18, United States Code, Section 2.

COUNT SIXTY-THREE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-9, 11-15, 97-123 and 139-141 of Count One are incorporated here.

2. On or about February 28, 2003, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERNARD J. BAGDIS,

by reason of BDWC making payments of compensation during the 2002 calendar year to at least the following individuals and in the following approximate amounts,

<u>NAME</u>	<u>AMOUNT</u>
J.S.G.C.	\$512,838
J.K.	\$82,147
M.K.	\$141,559
T.R.	\$207,654
B.B.	\$14,823
R.K.	\$4,493

was required, and BDWC was required, by law to make and cause to be made a return on United States Treasury Department Internal Revenue Service Form 1096 on or before February 28, 2003 to the Director, Internal Revenue Service Center, at Philadelphia, Pennsylvania, or other proper officer of the United States, setting forth the number of returns on United States Treasury Department Internal Revenue Service Forms 1099 attached thereto; that well-knowing and believing all of the foregoing, defendant BAGDIS did willfully fail to make, and aided and

abetted and willfully caused BDWC to fail to make, said return to said Director of the Internal Revenue Service Center at said time and place, or to any other proper officer of the United States.

All in violation of Title 26, United States Code, Section 7203, and Title 18, United States Code, Section 2.

COUNT SIXTY-FOUR

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-9, 11-15, 97-123 and 139-141 of Count One are incorporated here.

2. On or about March 1, 2004, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERNARD J. BAGDIS,

by reason of BDWC making payments of compensation during the 2003 calendar year to at least the following individuals and in the following approximate amounts,

<u>NAME</u>	<u>AMOUNT</u>
J.S.G.C.	\$392,562
M.K.	\$55,572
T.R.	\$23,743

was required, and BDWC was required, by law to make and cause to be made a return on United States Treasury Department Internal Revenue Service Form 1096 on or before March 1, 2004 to the Director, Internal Revenue Service Center, at Philadelphia, Pennsylvania, or other proper officer of the United States, setting forth the number of returns on United States Treasury Department Internal Revenue Service Forms 1099 attached thereto; that well-knowing and believing all of the foregoing, defendant BAGDIS did willfully fail to make, and aided and abetted and willfully caused BDWC to fail to make, said return to said Director of

the Internal Revenue Service Center at said time and place, or to any other proper officer of the United States.

All in violation of Title 26, United States Code, Section 7203, and Title 18, United States Code, Section 2.

COUNTS SIXTY-FIVE TO SIXTY-SEVEN

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-9, 11-15 and 93-96 of Count One are incorporated here.

2. During the calendar years set forth below, in Blue Bell, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERNARD J. BAGDIS,

a resident of Norristown, Pennsylvania, had and received gross income substantially in excess of the minimum filing requirements, as set forth below, and that by reason of such gross income he was required by law, following the close of each calendar year and on or before April 15 of the following year, to make an income tax return to the Director, Internal Revenue Service Center, at Philadelphia, Pennsylvania, or other proper officer of the United States, stating specifically the items of his gross income and any deductions and credits to which he was entitled; that knowing this, he willfully failed to make an income tax return to the Director of the Internal Revenue Service Center, or to any other proper officer of the United States:

GROSS INCOME FILING REQUIREMENT

<u>COUNT</u>	<u>YEAR</u>	<u>MARRIED-JOINT</u>	<u>MARRIED-SEPARATE</u>
65	2001	\$13,400	\$2,900
66	2002	\$13,850	\$3,000
67	2003	\$15,600	\$3,050

All in violation of Title 26, United States Code, Section 7203.

COUNT SIXTY-EIGHT

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-9, 11-15 and 124-132 of Count One are incorporated here.
2. On or about November 25, 2003, two undercover agents with the Internal Revenue Service posing as husband and wife (UC#1 and UC#2) met with defendant BERNARD J. BAGDIS at his office in Blue Bell, Pennsylvania. At this meeting, defendant BAGDIS agreed to set up a trust account for UC#1 and UC#2. UC#1 gave defendant BAGDIS approximately \$20,000 in United States Currency.
3. On or about November 25, 2003, in return for the \$20,000 in cash received from UC#1, defendant BERNARD J. BAGDIS wrote a check, number 2362, on the MMT disbursement account maintained at Madison Bank, in the approximate amount of \$19,600 payable to Sovereign Trust, which defendant BAGDIS then provided to UC#1 and UC#2.
4. On or about November 25, 2003, defendant BERNARD J. BAGDIS, opened a bank account at Madison Bank in the name of Sovereign Trust with UC#1 and UC#2 having signature authority on the account. Defendant BAGDIS then caused check number 2362, written on the MMT disbursement account, to be deposited into the Sovereign Trust account at Madison Bank.
5. On or about November 25, 2003, in the Eastern District of Pennsylvania and elsewhere, defendant

BERNARD J. BAGDIS

was then and there engaged in a trade and business and willfully violated 31 U.S.C. § 5331 in that he received in the course of his trade and business United States currency in excess of

\$10,000 in one transaction without filing a Report of Cash Payments Over \$10,000 Received in a Trade or Business (Internal Revenue Service and Financial Crimes Enforcement Network Form 8300) at such time and in such manner as the Secretary of the Department of the Treasury has, by regulation, prescribed.

All in violation of 31 U.S.C. §§ 5322(a), 5331; 31 C.F.R. § 103.30.

COUNT SIXTY-NINE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-9, 11-15, 124-132 and 134 of Count One are incorporated here.
2. On or about December 16, 2003, UC #1 and UC #2 met with defendant BERNARD J. BAGDIS at his offices in Blue Bell, Pennsylvania. At this meeting UC #1 gave defendant BAGDIS approximately \$20,000 in cash. In return, defendant BAGDIS gave UC #1 and UC #2 three Madison Bank checks made payable to Trynon Corporation totaling \$19,600: check #6440 from the Chronos Inc. operations account in the amount of \$12,500; check #2321 from the MMT bank account in the amount of \$5,000; and check #2628 from the B. Jay Bagdis, P.C. Pennsylvania Trust Account in the amount of \$2,100.
3. On or about December 16, 2003, UC #1 and UC #2 opened a bank account in the name of Trynon Corporation at Madison Bank. UC #1 and UC #2 then deposited the above-listed checks into the Trynon Corporation account. UC #1 and UC #2 also transferred \$18,600 from the Sovereign Trust account into the Trynon Corporation account at Madison Bank.
4. On or about December 16, 2003, in the Eastern District of Pennsylvania and elsewhere, defendant

BERNARD J. BAGDIS

was then and there engaged in a trade and business and willfully violated 31 U.S.C. § 5331 in that he received in the course of his trade and business United States currency in excess of \$10,000 in one transaction without filing a Report of Cash Payments Over \$10,000 Received in a

Trade or Business (Internal Revenue Service and Financial Crimes Enforcement Network Form 8300) at such time and in such manner as the Secretary of the Department of the Treasury has, by regulation, prescribed.

All in violation of 31 U.S.C. §§ 5322(a), 5331; 31 C.F.R. § 103.30.

COUNT SEVENTY

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-9, 11-15, 124-132 and 134 of Count One are incorporated here.

2. On or about March 2, 2004, UC #1 and UC #2 met with defendant BERNARD J. BAGDIS at his offices in Blue Bell, Pennsylvania. During this meeting, UC #2 gave defendant BAGDIS an envelope containing approximately \$20,467 in cash. Defendant BAGDIS took the envelope and, in return, gave UC #1 and UC #2 three Madison Bank checks made payable to Trynon Corporation totaling \$20,058: check #2568 from the Chronos Incorporated account in the amount of \$7,468.47; check #2569 from the Chronos Incorporated account in the amount of \$6,678.45; and check #2464 from the MMT account in the amount of \$5,911.08.

3. On or about March 2, 2004, in the Eastern District of Pennsylvania and elsewhere, defendant

BERNARD J. BAGDIS

was then and there engaged in a trade and business and willfully violated 31 U.S.C. § 5331 in that he received in the course of his trade and business United States Currency in excess of \$10,000 in one transaction without filing a Report of Cash Payments Over \$10,000 Received in a Trade or Business (Internal Revenue Service and Financial Crimes Enforcement Network Form 8300) at such time and in such manner as the Secretary of the Department of the Treasury has, by regulation, prescribed.

All in violation of 31 U.S.C. §§ 5322(a), 5331; 31 C.F.R. § 103.30.

COUNT SEVENTY-ONE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-9, 11-15, 124-132 and 134 of Count One are incorporated here.

2. On or about May 12, 2004, UC #1 and UC #2 met with defendant BERNARD J. BAGDIS at his offices in Blue Bell, Pennsylvania. During this meeting, UC #1 and UC #2 gave defendant BAGDIS approximately \$20,874 in cash. In return, defendant BAGDIS gave UC #1 and UC #2 two Madison Bank checks made payable to Trynon Corporation totaling \$20,456.52: check #2564 drawn on the MMT account in the amount of \$7,466.52 and check #2012 drawn on an Administar account in the amount of \$12,990.

3. On or about May 12, 2004, in the Eastern District of Pennsylvania and elsewhere, defendant

BERNARD J. BAGDIS

was then and there engaged in a trade and business and willfully violated 31 U.S.C. § 5331 in that he received in the course of his trade and business United States Currency in excess of \$10,000 in one transaction without filing a Report of Cash Payments Over \$10,000 Received in a Trade or Business (Internal Revenue Service and Financial Crimes Enforcement Network Form 8300) at such time and in such manner as the Secretary of the Department of the Treasury has, by regulation, prescribed.

All in violation of 31 U.S.C. §§ 5322(a), 5331; 31 C.F.R. § 103.30.

COUNT SEVENTY-TWO

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-9, 11-15, 124-132 and 134 of Count One are incorporated here.
2. On or about July 27, 2004, UC #1 met with defendant BERNARD J. BAGDIS at his offices in Blue Bell, Pennsylvania. During this meeting, UC #1 gave defendant BAGDIS \$20,418 in cash. In return, BAGDIS gave UC#1 a Madison Bank check #16655, drawn on the Administar account, and made payable to Trynon Corporation in the approximate amount of \$20,009.64.
3. On or about July 27, 2004, in the Eastern District of Pennsylvania and elsewhere, defendant

BERNARD J. BAGDIS

was then and there engaged in a trade and business and willfully violated 31 U.S.C. § 5331 in that he received in the course of his trade and business United States currency in excess of \$10,000 in one transaction without filing a Report of Cash Payments Over \$10,000 Received in a Trade or Business (Internal Revenue Service and Financial Crimes Enforcement Network Form 8300) at such time and in such manner as the Secretary of the Department of the Treasury has, by regulation, prescribed.

All in violation of 31 U.S.C. §§ 5322(a), 5331; 31 C.F.R. § 103.30.

COUNTS SEVENTY-THREE AND SEVENTY-FOUR

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-9, 11-15 and 79-80 of Count One are incorporated here.
2. From in or about January 1, 2002, through in or about December 31, 2003, defendant HELEN M. GRAMASKI received gross income consisting of approximately \$74,699 from a commercial cleaning business that she owned and operated.
3. During the calendar years set forth below, in the Eastern District of Pennsylvania, defendant

HELEN M. GRAMASKI,

a resident of Ardmore, Pennsylvania, had and received gross income substantially in excess of the minimum filing requirement, as set forth below, and that by reason of such gross income she was required by law, following the close of each calendar year and on or before April 15 of the following year, to make an income tax return to the Director, Internal Revenue Service Center, at Philadelphia, Pennsylvania, or other proper officer of the United States, stating specifically the items of her gross income and any deductions and credits to which she was entitled; that knowing this, she willfully failed to make an income tax return to the Director of the Internal Revenue Service Center, or to any other proper officer of the United States:

COUNT	YEAR	GROSS INCOME FILING REQUIREMENT
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73	2002	\$7,700
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74	2003	\$8,950
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All in violation of Title 26, United States Code, Section 7203.

COUNT SEVENTY-FIVE

THE GRAND JURY FURTHER CHARGES THAT:

At all times relevant to this Superseding Indictment:

1. Paragraphs 1-9, 11-15, and 81-92 of Count One are incorporated here.

2. Defendant WAYNE D. BOZEMAN, a resident of West Chester, Pennsylvania, met defendant BERNARD J. BAGDIS in or about 1989, and thereafter became a client of defendant BAGDIS. Defendant BOZEMAN obtained a law degree in May 2005.

3. Defendant WAYNE D. BOZEMAN owned and operated Keystone Game Supply, Inc. ("Keystone Game Supply"), which was in the business of purchasing, repairing, and reselling components for amusement and gaming machines. Defendant BOZEMAN served as the President and Director of Keystone Game Supply, which had its principal place of business at 340 Constance Drive, Warminster, Pennsylvania. Keystone Game Supply was incorporated in Delaware on or about October 20, 1997, by defendant BOZEMAN and with the assistance of defendant BERNARD J. BAGDIS, and used the Administar Corporation as its registered agent. Keystone Game Supply listed its address on its corporate federal income tax returns for the tax years 2000 through 2005 as 1283 College Park Drive, Dover, Delaware, which in fact was the address of James, Stevens & Daniels, another company owned and operated by Steven Hedrick, charged elsewhere in this Superseding Indictment.

4. Defendant WAYNE D. BOZEMAN owned and operated Advanced Game Concepts, Inc. ("Advanced Game Concepts"), which was in the business of developing cranes for amusement park games, and which had its places of business at the offices of Keystone Game Supply and in Florida. Advanced Game Concepts ceased operating in or about 2000.

The Conspiracy

5. From in or about 1999 and continuing thereafter up to and including the date of this Superseding Indictment, defendants

BERNARD J. BAGDIS and WAYNE D. BOZEMAN

conspired and agreed, together and with others known and unknown to the grand jury, to knowingly defraud the United States for the purpose of impeding, impairing, obstructing, and defeating the lawful government functions of the Internal Revenue Service of the Department of the Treasury in the ascertainment, computation, assessment, and collection of taxes, in violation of Title 18, United States Code, Section 371.

Manner and Means

It was part of the conspiracy that:

6. Beginning in or about 1999, defendants BERNARD J. BAGDIS and WAYNE D. BOZEMAN agreed that defendant BOZEMAN would not report to the Internal Revenue Service (“IRS”) or pay any federal taxes on the compensation that defendant BOZEMAN received from Keystone Game Supply, in the form of checks deposited by Keystone Game Supply into a bank account held in the name of Advanced Game Concepts, and then used to pay the personal expenses of defendant BOZEMAN and his spouse.

7. With assistance and guidance from defendant BERNARD J. BAGDIS, defendant WAYNE D. BOZEMAN opened a bank account at PNC Bank in the name of Advanced Game Concepts, for which defendant BOZEMAN and his spouse were signatories,

and for which the mailing address was the home of defendant BOZEMAN and his spouse (“Advanced Game Concepts bank account”).

8. During the years 1999 through 2007, defendant WAYNE D. BOZEMAN received an approximate total of \$830,369 in income from Keystone Game Supply, which was deposited into the Advanced Game Concepts bank account, and which defendant BOZEMAN did not declare as income on his federal individual income tax returns, which were prepared and caused to be prepared by defendant BERNARD J. BAGDIS.

9. During the years 1999 through 2007, defendant WAYNE D. BOZEMAN, with the assistance and guidance of defendant BERNARD J. BAGDIS, caused the compensation deposited by Keystone Game Supply into the Advanced Game Concepts bank account to be listed on the corporate books and records of Keystone Game Supply as a consulting fee expense, entitled “Consulting Fees – MGT,” and listed on the federal corporate income tax returns of Keystone Game Supply, which were prepared and caused to be prepared by defendant BAGDIS, as a deducted consulting fee expense.

10. During the years 2000 through 2007, defendant WAYNE D. BOZEMAN used the Advanced Game Concepts bank account, and caused it to be used, to pay personal expenses including, among many others, advances to investment funds, credit card bills, pool cleaning services, lawn care services, utilities, checks to cash, and the mortgage for his home.

11. Defendant WAYNE D. BOZEMAN failed to file any corporate income tax returns during the years 2000 through 2007 for Advanced Game Concepts, and caused Keystone Game Supply to not issue any IRS Forms W-2 or 1099 regarding the checks deposited by

Keystone Game Supply into the Advanced Game Concepts bank account and deducted by Keystone Game Supply as consulting fee expenses.

12. Defendants BERNARD J. BAGDIS and WAYNE D. BOZEMAN made false statements to investigators from the IRS and the Commonwealth of Pennsylvania, by stating at various time that the monies deposited by Keystone Game Supply into the Advanced Game Concepts bank account did not represent the compensation of defendant BOZEMAN, that the monies were used to pay the home mortgage of defendant BOZEMAN because his home served as collateral for a business loan, and that the Advanced Game Concepts bank account was used to track either bad debt or loan monies being returned to defendant BOZEMAN.

Overt Acts

In furtherance of the conspiracy, defendants BERNARD J. BAGDIS and WAYNE D. BOZEMAN, and others known and unknown to the grand jury, committed the following overt acts in the Eastern District of Pennsylvania, and elsewhere:

13. In or about 1999, defendants BERNARD J. BAGDIS and WAYNE D. BOZEMAN agreed that defendant BOZEMAN would not report to the IRS the compensation that he received in the form of checks deposited by Keystone Game Supply into the Advanced Game Concepts bank account, and that defendant BOZEMAN would not pay any federal taxes on this income.

14. On or about February 16, 1999, defendant WAYNE D. BOZEMAN opened and caused to be opened the Advanced Game Concepts bank account, for which defendant BOZEMAN and his spouse were signatories, and the mailing address of which was the home of defendant BOZEMAN and his spouse.

15. On the following approximate dates, defendant WAYNE D. BOZEMAN deposited and caused to be deposited the following approximate total amounts of checks from Keystone Game Supply into the Advanced Game Concepts bank account:

- a. From in or about June 1999 through on or about December 31, 1999, approximately \$51,688.
- b. From on or about January 1, 2000 through on or about December 31, 2000, approximately \$106,600.
- c. From on or about January 1, 2001 through on or about December 31, 2001, approximately \$102,500
- d. From on or about January 1, 2002 through on or about December 31, 2002, approximately \$106,600.
- e. From on or about January 1, 2003 through on or about December 31, 2003, approximately \$93,890.
- f. From on or about January 1, 2004 through on or about December 31, 2004, approximately \$99,630.
- g. From on or about January 1, 2005 through on or about December 31, 2005, approximately \$95,940.
- h. From on or about January 1, 2006 through on or about December 31, 2006, approximately \$94,975.
- i. From on or about January 1, 2007 through on or about November 29, 2007, approximately \$78,546.

16. On or about April 15, 2000, defendant WAYNE D. BOZEMAN failed to file an individual income tax return for the tax year 1999, thereby failing to report to the IRS approximately \$51,688 in income received by defendant BOZEMAN from Keystone Game Supply, through deposits made into the Advanced Game Concepts bank account.

17. On or about the following dates, defendant WAYNE D. BOZEMAN signed and filed and caused to be filed the following false federal individual income tax returns for the years 2000 through 2007, which were prepared and caused to be prepared by defendant BERNARD J. BAGDIS, and which were false and fraudulent because, as defendants BAGDIS and BOZEMAN well knew, they reported the following false sums of joint taxable income of defendant BOZEMAN and his spouse, and failed to report the substantial additional taxable income earned by defendant BOZEMAN, paid by Keystone Game Supply and deposited into the Advanced Game Concepts bank account:

	<u>Tax</u> <u>Year</u>	<u>Signature Date</u>	<u>Reported Taxable Income</u>
a.	2000	4/28/01	\$0
b.	2001	4/18/02	\$0
c.	2002	3/29/03	\$0
d.	2003	4/7/04	\$0
e.	2004	2/26/05	\$0
f.	2005	4/9/06	\$4,003
g.	2006	3/24/07	\$25,544
h.	2007	4/15/08	\$66,882

18. On or about the following dates, defendant WAYNE D. BOZEMAN, acting in his capacity as President, signed and filed and caused to be filed the following federal corporate income tax returns for Keystone Game Supply for the tax years 1999 through 2005, which were prepared and caused to be prepared by defendant BERNARD J. BAGDIS, which reported the payments made by Keystone Game Supply and deposited into the Advanced Game Concepts bank account as deductible consulting fee expenses, and which reported the following amounts of officer compensation:

	<u>Tax</u> <u>Year</u>	<u>Signature Date</u>	<u>Reported Officer Compensation</u>
a.	1999	9/19/00	\$0
b.	2000	10/4/01	\$0
c.	2001	5/19/03	\$0
d.	2002	9/12/03	\$0
e.	2003	9/15/04	\$0
f.	2004	11/18/05	\$0
g.	2005	11/21/06	\$0

19. On or about the following dates, defendant WAYNE D. BOZEMAN issued and caused to be issued the following checks and debits from the Advanced Game Concepts bank account, among many others, in order to pay for the following personal expenses:

- a. check number 521, dated December 22, 2000, in the approximate amount of \$500, payable to Solomon Smith Barney to fund a brokerage account.

- b. check number 727, dated October 8, 2001, in the approximate amount of \$54.12, payable to Comcast to pay for cable services for the home of defendant BOZEMAN and his spouse.
- c. check number 866, dated May 31, 2002, in the approximate amount of \$3,000, payable to First USA Bank to pay a personal credit card bill.
- d. check number 935, dated September 28, 2002, in the approximate amount of \$317.95, payable to T.E. to pay for pool services.
- e. July 1, 2003 debit in the approximate amount of \$2,534.20, payable to Washington Mutual, to pay for the mortgage of the home of defendant BOZEMAN and his spouse.
- f. check number 1232, dated May 31, 2004, in the approximate amount of \$81.62, payable to Fairways Lawn Care, for lawn services for the home of defendant BOZEMAN and his spouse.
- g. check number 1373, dated March 25, 2005, in the approximate amount of \$1,250, payable to the spouse of defendant BOZEMAN.
- h. check number 1673, dated October 31, 2006, in the approximate amount of \$1,090, payable to cash.
- i. check number 1817, dated August 12, 2007, in the approximate amount of \$600, payable to Edward Jones to fund a brokerage account.

20. On or about April 29, 2006, defendant WAYNE D. BOZEMAN falsely stated to a Pennsylvania State Police Trooper investigating the gaming license application submitted to the Commonwealth of Pennsylvania by defendant BOZEMAN on behalf of

Keystone Game Supply that the checks deposited by Keystone Game Supply into the Advanced Game Concepts bank account did not represent his compensation, and that the monies were used to pay the home mortgage of defendant BOZEMAN because his home served as collateral for a business loan.

21. On or about May 4, 2006, defendant BERNARD J. BAGDIS falsely stated to a Pennsylvania State Police Trooper investigating the gaming license application submitted to the Commonwealth of Pennsylvania by defendant WAYNE D. BOZEMAN on behalf of Keystone Game Supply that the checks deposited by Keystone Game Supply into the Advanced Game Concepts bank account were used to pay for the home mortgage and property taxes of defendant BOZEMAN because the home served as collateral for a business loan, and that the Advanced Game Concepts bank account served as a “placeholder” to track the use of the home as collateral.

22. On or about May 17, 2006, defendant BERNARD J. BAGDIS falsely stated to a Pennsylvania State Police Trooper investigating the gaming license application submitted to the Commonwealth of Pennsylvania by defendant WAYNE D. BOZEMAN on behalf of Keystone Game Supply that the monies deposited by Keystone Game Supply into the Advanced Game Concepts bank account were used to track losses incurred by business ventures of defendant BOZEMAN, and did not represent income to defendant BOZEMAN.

23. On or about May 17, 2007, defendants WAYNE D. BOZEMAN and BERNARD J. BAGDIS falsely stated to IRS special agents investigating the tax fraud offenses alleged in Counts Seventy-Five to Ninety-Two of this Superseding Indictment that defendant

BOZEMAN used the Advanced Game Concepts bank account to track loan monies being returned by Keystone Game Supply to defendant BOZEMAN.

All in violation of Title 18, United States Code, Section 371.

COUNT SEVENTY-SIX

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. From in or about 2002 through on or about March 29, 2003, in the Eastern District of Pennsylvania, and elsewhere, defendant

WAYNE D. BOZEMAN,

a resident of West Chester, Pennsylvania, who during calendar year 2002 was married, willfully attempted to evade and defeat an income tax due and owing by him and his spouse to the United States of America for the calendar year 2002 by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

(1) depositing approximately \$106,600 in compensation and other business-related income received during the calendar year 2002 from Keystone Game Supply, Inc. into a corporate bank account he controlled under the account name “Advanced Game Concepts, Inc.,” without ever reporting this amount as income to the IRS and without paying any federal income tax on this income; and

(2) by signing and filing and causing to be filed, on or about March 29, 2003, with the Director, Internal Revenue Service Center, Philadelphia, Pennsylvania, a false and fraudulent U.S. Individual Income Tax Return, Form 1040, on behalf of himself and his spouse, in which it was stated that their joint taxable income was the sum of \$0, and that the amount of tax due and owing was the sum of \$0, but as he then well knew and believed, their joint taxable

income for the year was substantially in excess of that stated and that upon said additional joint taxable income a substantial additional tax was due and owing to the United States.

In violation of Title 26, United States Code, Section 7201.

COUNT SEVENTY-SEVEN

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. From in or about 2003 through on or about April 7, 2004, in the Eastern

District of Pennsylvania, and elsewhere, defendant

WAYNE D. BOZEMAN,

a resident of West Chester, Pennsylvania, who during calendar year 2003 was married, willfully attempted to evade and defeat an income tax due and owing by him and his spouse to the United States of America for the calendar year 2003 by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

(1) depositing approximately \$93,890 in compensation and other business-related income received during the calendar year 2003 from Keystone Game Supply, Inc. into a corporate bank account he controlled under the account name “Advanced Game Concepts, Inc.,” without ever reporting this amount as income to the IRS and without paying any federal income tax on this income; and

(2) by signing and filing and causing to be filed, on or about April 7, 2004, with the Director, Internal Revenue Service Center, Philadelphia, Pennsylvania, a false and fraudulent U.S. Individual Income Tax Return, Form 1040, on behalf of himself and his spouse, in which it was stated that their joint taxable income was the sum of \$0, and that the amount of tax due and owing was the sum of \$0, but as he then well knew and believed, their joint taxable

income for the year was substantially in excess of that stated and that upon said additional joint taxable income a substantial additional tax was due and owing to the United States.

In violation of Title 26, United States Code, Section 7201.

COUNT SEVENTY-EIGHT

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. From in or about 2004 through on or about February 26, 2005, in the Eastern District of Pennsylvania, and elsewhere, defendant

WAYNE D. BOZEMAN,

a resident of West Chester, Pennsylvania, who during calendar year 2004 was married, willfully attempted to evade and defeat an income tax due and owing by him and his spouse to the United States of America for the calendar year 2004 by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

(1) depositing approximately \$99,630 in compensation and other business-related income received during the calendar year 2004 from Keystone Game Supply, Inc. into a corporate bank account he controlled under the account name “Advanced Game Concepts, Inc.,” without ever reporting this amount as income to the IRS and without paying any federal income tax on this income; and

(2) by signing and filing and causing to be filed, on or about February 26, 2005, with the Director, Internal Revenue Service Center, Philadelphia, Pennsylvania, a false and fraudulent U.S. Individual Income Tax Return, Form 1040, on behalf of himself and his spouse, in which it was stated that their joint taxable income was the sum of \$0, and that the amount of tax due and owing was the sum of \$0, but as he then well knew and believed, their joint taxable income for the year was substantially in excess of that stated and that upon said

additional joint taxable income a substantial additional tax was due and owing to the United States.

In violation of Title 26, United States Code, Section 7201.

COUNT SEVENTY-NINE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. From in or about 2005 through on or about April 9, 2006, in the Eastern

District of Pennsylvania, and elsewhere, defendant

WAYNE D. BOZEMAN,

a resident of West Chester, Pennsylvania, who during calendar year 2005 was married, willfully attempted to evade and defeat an income tax due and owing by him and his spouse to the United States of America for the calendar year 2005 by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

(1) depositing approximately \$95,940 in compensation and other business-related income received during the calendar year 2005 from Keystone Game Supply, Inc. into a corporate bank account he controlled under the account name “Advanced Game Concepts, Inc.,” without ever reporting this amount as income to the IRS and without paying any federal income tax on this income; and

(2) by signing and filing and causing to be filed, on or about April 9, 2006, with the Director, Internal Revenue Service Center, Philadelphia, Pennsylvania, a false and fraudulent U.S. Individual Income Tax Return, Form 1040, on behalf of himself and his spouse, in which it was stated that their joint taxable income was the sum of \$4,003, and that the amount of tax due and owing was \$403, but as he then well knew and believed, their joint taxable income

for the year was substantially in excess of that stated and that upon said additional joint taxable income a substantial additional tax was due and owing to the United States.

In violation of Title 26, United States Code, Section 7201.

COUNT EIGHTY

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.

2. From in or about 2006 through on or about March 24, 2007, in the Eastern District of Pennsylvania, and elsewhere, defendant

WAYNE D. BOZEMAN,

a resident of West Chester, Pennsylvania, who during calendar year 2006 was married, willfully attempted to evade and defeat an income tax due and owing by him and his spouse to the United States of America for the calendar year 2006 by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

(1) depositing approximately \$94,975 in compensation and other business-related income received during the calendar year 2006 from Keystone Game Supply, Inc. into a corporate bank account he controlled under the account name "Advanced Game Concepts, Inc.," without ever reporting this amount as income to the IRS and without paying any federal income tax on this income; and

(2) by signing and filing and causing to be filed, on or about March 24, 2007, with the Director, Internal Revenue Service Center, Philadelphia, Pennsylvania, a false and fraudulent U.S. Individual Income Tax Return, Form 1040, on behalf of himself and his spouse, in which it was stated that their joint taxable income was the sum of \$25,544, and that the amount of tax due and owing was \$3,074, but as he then well knew and believed, their joint taxable income for the year was substantially in excess of that stated and that upon said

additional joint taxable income a substantial additional tax was due and owing to the United States.

In violation of Title 26, United States Code, Section 7201.

COUNT EIGHTY-ONE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. From in or about 2007 through on or about April 15, 2008, in the Eastern District of Pennsylvania, and elsewhere, defendant

WAYNE D. BOZEMAN,

a resident of West Chester, Pennsylvania, who during calendar year 2007 was married, willfully attempted to evade and defeat an income tax due and owing by him and his spouse to the United States of America for the calendar year 2007 by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

(1) depositing approximately \$78,546 in compensation and other business-related income received during the calendar year 2007 from Keystone Game Supply, Inc. into a corporate bank account he controlled under the account name “Advanced Game Concepts, Inc.,” without ever reporting this amount as income to the IRS and without paying any federal income tax on this income; and

(2) by signing and filing and causing to be filed, on or about April 15, 2008, with the Director, Internal Revenue Service Center, Philadelphia, Pennsylvania, a false and fraudulent U.S. Individual Income Tax Return, Form 1040, on behalf of himself and his spouse, in which it was stated that their joint taxable income was the sum of \$66,882, and that the amount of tax due and owing was \$9,566, but as he then well knew and believed, their joint taxable income for the year was substantially in excess of that stated and that upon said

additional joint taxable income a substantial additional tax was due and owing to the United States.

In violation of Title 26, United States Code, Section 7201.

COUNT EIGHTY-TWO

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. On or about March 29, 2003, in the Eastern District of Pennsylvania, and elsewhere, defendant

WAYNE D. BOZEMAN

willfully made and subscribed a joint Individual Income Tax Return, Form 1040, for 2002, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Internal Revenue Service, which defendant BOZEMAN did not believe to be true and correct as to every material matter, in that the return reported that the joint taxable income of defendant BOZEMAN and his spouse was the sum of \$0, when in fact, as defendant BOZEMAN well knew, this representation was false, because defendant BOZEMAN had substantial taxable income that was not reported on this tax return.

In violation of Title 26, United States Code, Section 7206(1).

COUNT EIGHTY-THREE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. On or about April 7, 2004, in the Eastern District of Pennsylvania, and elsewhere, defendant

WAYNE D. BOZEMAN

willfully made and subscribed a joint Individual Income Tax Return, Form 1040, for 2003, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Internal Revenue Service, which defendant BOZEMAN did not believe to be true and correct as to every material matter, in that the return reported that the joint taxable income of defendant BOZEMAN and his spouse was the sum of \$0, when in fact, as defendant BOZEMAN well knew, this representation was false, because defendant BOZEMAN had substantial taxable income that was not reported on this tax return.

In violation of Title 26, United States Code, Section 7206(1).

COUNT EIGHTY-FOUR

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. On or about February 26, 2005, in the Eastern District of Pennsylvania,
and elsewhere, defendant

WAYNE D. BOZEMAN

willfully made and subscribed a joint Individual Income Tax Return, Form 1040, for 2004, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Internal Revenue Service, which defendant BOZEMAN did not believe to be true and correct as to every material matter, in that the return reported that the joint taxable income of defendant BOZEMAN and his spouse was the sum of \$0, when in fact, as defendant BOZEMAN well knew, this representation was false, because defendant BOZEMAN had substantial taxable income that was not reported on this tax return.

In violation of Title 26, United States Code, Section 7206(1).

COUNT EIGHTY-FIVE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. On or about April 9, 2006, in the Eastern District of Pennsylvania, and elsewhere, defendant

WAYNE D. BOZEMAN

willfully made and subscribed a joint Individual Income Tax Return, Form 1040, for 2005, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Internal Revenue Service, which defendant BOZEMAN did not believe to be true and correct as to every material matter, in that the return reported that the joint taxable income of defendant BOZEMAN and his spouse was the sum of \$4,003, when in fact, as defendant BOZEMAN well knew, this representation was false, because defendant BOZEMAN had substantial taxable income that was not reported on this tax return.

In violation of Title 26, United States Code, Section 7206(1).

COUNT EIGHTY-SIX

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. On or about March 24, 2007, in the Eastern District of Pennsylvania, and elsewhere, defendant

WAYNE D. BOZEMAN

willfully made and subscribed a joint Individual Income Tax Return, Form 1040, for 2006, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Internal Revenue Service, which defendant BOZEMAN did not believe to be true and correct as to every material matter, in that the return reported that the joint taxable income of defendant BOZEMAN and his spouse was the sum of \$25,544, when in fact, as defendant BOZEMAN well knew, this representation was false, because defendant BOZEMAN had substantial taxable income that was not reported on this tax return.

In violation of Title 26, United States Code, Section 7206(1).

COUNT EIGHTY-SEVEN

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. On or about April 15, 2008, in the Eastern District of Pennsylvania, and elsewhere, defendant

WAYNE D. BOZEMAN

willfully made and subscribed a joint Individual Income Tax Return, Form 1040, for 2007, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Internal Revenue Service, which defendant BOZEMAN did not believe to be true and correct as to every material matter, in that the return reported that the joint taxable income of defendant BOZEMAN and his spouse was the sum of \$66,882, when in fact, as defendant BOZEMAN well knew, this representation was false, because defendant BOZEMAN had substantial taxable income that was not reported on this tax return.

In violation of Title 26, United States Code, Section 7206(1).

COUNT EIGHTY-EIGHT

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. On or about March 29, 2003, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERNARD J. BAGDIS

willfully aided and assisted in, procured, counseled, and advised the preparation and presentation to the Internal Revenue Service, of a joint Individual Income Tax Return, Form 1040, of Wayne D. Bozeman and his spouse, for the calendar year 2002, which was false and fraudulent as to a material matter, in that the return reported that the joint taxable income of Wayne Bozeman and his spouse was the sum of \$0, when in fact, as defendant BERNARD J. BAGDIS well knew, this statement was false, because Wayne Bozeman had substantial additional taxable income that was not reported on this tax return.

In violation of Title 26, United States Code, Section 7206(2).

COUNT EIGHTY-NINE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. On or about April 7, 2004, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERNARD J. BAGDIS

willfully aided and assisted in, procured, counseled, and advised the preparation and presentation to the Internal Revenue Service, of a joint Individual Income Tax Return, Form 1040, of Wayne D. Bozeman and his spouse, for the calendar year 2003, which was false and fraudulent as to a material matter, in that the return reported that the joint taxable income of Wayne Bozeman and his spouse was the sum of \$0, when in fact, as defendant BERNARD J. BAGDIS well knew, this statement was false, because Wayne Bozeman had substantial additional taxable income that was not reported on this tax return.

In violation of Title 26, United States Code, Section 7206(2).

COUNT NINETY

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. On or about February 26, 2005, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERNARD J. BAGDIS

willfully aided and assisted in, procured, counseled, and advised the preparation and presentation to the Internal Revenue Service, of a joint Individual Income Tax Return, Form 1040, of Wayne D. Bozeman and his spouse, for the calendar year 2004, which was false and fraudulent as to a material matter, in that the return reported that the joint taxable income of Wayne Bozeman and his spouse was the sum of \$0, when in fact, as defendant BERNARD J. BAGDIS well knew, this statement was false, because Wayne Bozeman had substantial additional taxable income that was not reported on this tax return.

In violation of Title 26, United States Code, Section 7206(2).

COUNT NINETY-ONE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. On or about April 9, 2006, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERNARD J. BAGDIS

willfully aided and assisted in, procured, counseled, and advised the preparation and presentation to the Internal Revenue Service, of a joint Individual Income Tax Return, Form 1040, of Wayne D. Bozeman and his spouse, for the calendar year 2005, which was false and fraudulent as to a material matter, in that the return reported that the joint taxable income of Wayne Bozeman and his spouse was the sum of \$4,003, when in fact, as defendant BERNARD J. BAGDIS well knew, this statement was false, because Wayne Bozeman had substantial additional taxable income that was not reported on this tax return.

In violation of Title 26, United States Code, Section 7206(2).

COUNT NINETY-TWO

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-4 and 6-23 of Count Seventy-Five are incorporated here.
2. On or about March 24, 2007, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERNARD J. BAGDIS

willfully aided and assisted in, procured, counseled, and advised the preparation and presentation to the Internal Revenue Service, of a joint Individual Income Tax Return, Form 1040, of Wayne D. Bozeman and his spouse, for the calendar year 2006, which was false and fraudulent as to a material matter, in that the return reported that the joint taxable income of Wayne Bozeman and his spouse was the sum of \$25,544, when in fact, as defendant BERNARD J. BAGDIS well knew, this statement was false, because Wayne Bozeman had substantial additional taxable income that was not reported on this tax return.

In violation of Title 26, United States Code, Section 7206(2).

COUNT NINETY-THREE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 and 3-28 of Count 26 are incorporated here.
2. During tax year 2004, defendant RICHARD J. FRASE received approximately \$128,940 from TAC.
3. Defendant RICHARD J. FRASE was required to report this income on federal income tax returns filed with the Internal Revenue Service each year.
4. Defendant RICHARD J. FRASE failed to timely file a federal income tax return for tax year 2004.
5. From on or about January 1, 2004, through on or about on or about October 24, 2007, in the Eastern District of Pennsylvania, and elsewhere, defendant

RICHARD J. FRASE,

a resident of Auburn Hills, Michigan and Schoharie, New York, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2004 by failing to make an income tax return on or about April 15, 2005, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) By causing his salary from TAC to be paid to The Personnel Department, Inc., which in turn, paid him directly only \$6,000;

(2) by causing The Personnel Department, Inc. to issue a Form W-2 for the year 2004 falsely reporting that defendant RICHARD J. FRASE received only \$6,000 from TAC during calendar year 2004;

(3) by utilizing a shell corporation, GTTS, the sole purpose of which was to conceal defendant RICHARD J. FRASE's salary and related income from TAC and which identified a fictional person as a corporate officer;

(4) by utilizing a GTTS corporate bank account at Wachovia Bank, the purpose of which was to receive unreported and untaxed income from TAC that went through the Personnel Department, Inc., and an account at Madison Bank in the name of Administar, Inc.;

(5) by filing on or about October 22, 2007, a 2004 Form 1120 corporate income tax return for GTTS that falsely reported all of the income received by RICHARD J. FRASE from TAC as gross receipts of GTTS; and

(6) by filing on or about October 24, 2007, a false 2004 Form 1040 individual income tax return that willfully failed to report defendant RICHARD J. FRASE's income from TAC.

In violation of Title 26, United States Code, Section 7201.

COUNT NINETY-FOUR

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 and 3-28 of Count 26 are incorporated here.
2. During tax year 2005, defendant RICHARD J. FRASE received approximately \$130,480 from TAC.
3. Defendant RICHARD J. FRASE was required to report this income on federal income tax returns filed with the Internal Revenue Service each year.
4. Defendant RICHARD J. FRASE failed to timely file a federal income tax return for tax year 2004.
5. From on or about January 1, 2005, through on or about on or about October 24, 2007, in the Eastern District of Pennsylvania, and elsewhere, defendant

RICHARD J. FRASE,

a resident of Auburn Hills, Michigan and Schoharie, New York, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2005 by failing to make an income tax return on or about April 17, 2006, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) By causing his salary from TAC to be paid to The Personnel Department, Inc., which in turn, paid him directly only \$6,000;

(2) by causing The Personnel Department, Inc. to issue a Form W-2 for the year 2005 falsely reporting that defendant RICHARD J. FRASE received only \$6,000 from TAC during calendar year 2005;

(3) by utilizing a shell corporation, GTTS, the sole purpose of which was to conceal defendant RICHARD J. FRASE's salary and related income from TAC and which identified a fictional person as a corporate officer;

(4) by utilizing a GTTS corporate bank account at Wachovia Bank, the purpose of which was to receive unreported and untaxed income from TAC that went through an account at Madison Bank in the name of Administar, Inc.;

(5) by filing on or about October 22, 2007, a 2005 Form 1120 corporate income tax return for GTTS that falsely reported income received by RICHARD J. FRASE from TAC as gross receipts of GTTS; and

(6) by filing on or about October 24, 2007, a false 2005 Form 1040 individual income tax return that willfully failed to report defendant RICHARD J. FRASE's income from TAC.

In violation of Title 26, United States Code, Section 7201.

COUNT NINETY-FIVE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 and 3-28 of Count 26 are incorporated here.
2. During tax year 2006, defendant RICHARD J. FRASE received approximately \$122,150 from TAC.
3. Defendant RICHARD J. FRASE was required to report this income on federal income tax returns filed with the Internal Revenue Service each year.
4. Defendant RICHARD J. FRASE failed to timely file a federal income tax return for tax year 2006.
5. From on or about January 1, 2006, through on or about on or about October 24, 2007, in the Eastern District of Pennsylvania, and elsewhere, defendant

RICHARD J. FRASE,

a resident of Auburn Hills, Michigan and Schoharie, New York, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2006 by failing to make an income tax return on or about April 16, 2007, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) By causing his salary from TAC to be paid to The Personnel Department, Inc., which in turn, paid him directly only \$6,000;

(2) by causing The Personnel Department, Inc. to issue a Form W-2 for the year 2006 falsely reporting that defendant RICHARD J. FRASE received only \$6,000 from TAC during calendar year 2006;

(3) by utilizing a shell corporation, GTTS, the sole purpose of which was to conceal defendant RICHARD J. FRASE's salary and related income from TAC and which identified a fictional person as a corporate officer;

(4) by utilizing a GTTS corporate bank account at Wachovia Bank, the purpose of which was to receive unreported and untaxed income from TAC that went through the Personnel Department, Inc., and an account at Sovereign Bank in the name of Administar, Inc.;

(5) by filing on or about October 22, 2007, a 2006 Form 1120 corporate income tax return for GTTS that falsely reported all of the income received by RICHARD J. FRASE from TAC as gross receipts of GTTS; and

(6) by filing on or about October 24, 2007, a false 2006 Form 1040 individual income tax return that willfully failed to report defendant RICHARD J. FRASE's income from TAC.

In violation of Title 26, United States Code, Section 7201.

COUNT NINETY-SIX

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1-2 and 4-38 of Count Two are incorporated here.
2. During the years 1998 through 2006, defendant BERTRAM R. RUSSELL was a licensed physician who actively practiced medicine as a radiologist and who received substantial compensation for this work each year.
3. During the tax year 2006, defendant BERTRAM R. RUSSELL received approximately \$418,038 in compensation and other business-related income paid by Community Radiology Services to Pennsylvania Physicians, an entity controlled by defendant RUSSELL.
4. Defendant BERTRAM R. RUSSELL was required to report this income on federal income tax returns filed with the Internal Revenue Service.
5. From in or about 2006 through on or about April 16, 2007, in the Eastern District of Pennsylvania, and elsewhere, defendant

BERTRAM R. RUSSELL,

a resident of Gladwyne, Pennsylvania, willfully attempted to evade and defeat an income tax due and owing by him to the United States of America for the calendar year 2006 by failing to make an income tax return on or about April 16, 2007, as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the Internal Revenue Service this income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income through various means, including, among other things:

- (1) Depositing approximately \$389,847 in compensation and other business-related income received during the calendar year 2006 from Community Radiology

Services into corporate bank accounts he controlled under the account names “Pennsylvania Physicians, P.C.,” “High Pines, Ltd.,” and “Bertram R. Russell, M.D., P.C.,” without ever reporting this amount as income to the IRS and without paying any federal income tax on this income;

(2) by using funds deposited into the corporate bank accounts described above to pay more than \$100,000 in personal expenses during the year 2006;

(3) by failing to file any federal income tax returns for the corporations that defendant BERTRAM R. RUSSELL controlled, and which he used to receive the income paid for his professional medical services, including “Pennsylvania Physicians, P.C.,” “High Pines, Ltd.,” “Bertram R. Russell, M.D., P.C.,” and “Russell Medical Associates;” and

(4) by failing to file a federal individual income tax return for the tax year 2006, failing to report any income for the tax year 2006, and by failing to pay any federal income taxes for the tax year 2006.

In violation of Title 26, United States Code, Section 7201.

A TRUE BILL:

GRAND JURY FOREPERSON

PATRICK L. MEEHAN
UNITED STATES ATTORNEY